MARCOR

Serving People Through Retailing and Packaging

Montgomery Ward
Merchandising to Meet Consumer Expectations

Container Corporation of America
Packaging for Marketing and Distribution

Annual Report 1972

Financial Highlights

Fiscal Years Ended January 31, 1973 and 1972

Net Sales	1972	1971	Percent Increase
Montgomery Ward	$2,640,122,000	$2,376,993,000	11.1
Container Corporation	644,733,000	558,783,000	15.4
Other Marcor Subsidiaries	84,466,000	62,801,000	34.5
Total	$3,369,321,000	$2,998,577,000	12.4
Net Earnings			
Montgomery Ward	$ 49,469,000	$ 43,012,000	15.0
Container Corporation	33,576,000	24,165,000	38.9
Other	1,368,000	1,040,000	31.5
Net Earnings before Parent Company Interest Charges	$ 84,413,000	$ 68,217,000	23.7
Less—Marcor interest expense	11,741,000	10,705,000	9.7
Net Earnings	$ 72,672,000	$ 57,512,000	26.4
Earnings Per Common Share	2.17	1.64	32.3
Earnings Per Common Share Assuming Full Dilution	1.77	1.42	24.6
Dividends Paid Per Common Share	$ .80	$ .80	
Stockholders' Equity	$ 957,214,000	$ 920,688,000	
Book Value per Common Share	$ 24.58	$ 23.38	
Shares Outstanding:			
Preferred	6,173,543	6,159,323	
Common	27,548,148	27,399,003	

Contents

Marcor Stockholder Meeting

The Annual Meeting of Marcor stockholders will be held at 10 a.m. Tuesday, May 22, 1973 at 619 West Chicago Avenue, Chicago, Illinois. Formal notice of the meeting, a proxy statement and proxy were mailed to all stockholders of record April 12, 1973 with a copy of this Report.

Chairman's Report to Stockholders

Earnings of the Marcor companies in fiscal 1972 rose 26.4%, reaching an all-time high. Sales increased 12.4% to $3,369,321,000. The financial highlights presented on the opposite page summarize the progress that Montgomery Ward and Container Corporation of America made while expanding and strengthening the closely related retailing and packaging services they perform for customers they serve.

The function of retailing is to serve the needs of consumers, by providing quality products and services at economical prices, while simultaneously providing a channel of distribution for manufacturers. Packaging assists in the marketing and distribution of goods, by protecting them in transit, providing ease of handling and warehousing, displaying them at the point of purchase, and bringing convenience to the consumer.

Marcor's business objective is to apply its resources—capital, people, facilities, products, and services—to anticipate and respond to customer needs through retailing and packaging. A key retail objective is to increase our share of present markets by building large new stores in areas where the added volume will improve the profitability of existing units. Our basic packaging objective is to concentrate on the design and manufacture of paperboard packages, supporting our package converting operations with an adequate supply of paperboard raw materials.

Montgomery Ward strengthened its position as a leading mass merchandiser last year and established new sales records. These were achieved through aggressive merchandising and promotion programs and through expanded services to customers. Credit sales also increased substantially. We expect Wards to continue to benefit from the strong consumer buying surge which began in mid-1972 and has continued into the current year. The company is continuing its program to build larger new stores and to improve productivity of existing units.

Sales of Container Corporation of America established a new record last year, and the profitability of its domestic and overseas operations improved substantially. The company continues to expand its physical plant and to improve internal efficiencies. It is in an excellent position to continue the sales expansion and earnings recovery it demonstrated last year.

Capital expenditures for all subsidiaries during the year totaled $151 million, compared with $173 million in 1971, and are estimated to be $159 million in 1973.

The Board of Directors elected Edward S. Donnell President of Marcor at its May meeting, and designated me as Chairman of the Board, a position which had been vacant since the retirement as Chairman of Robert E. Brooker in 1970.

Our management continues to be deeply involved in community and government relationships at federal, state and local levels, to fulfill our environmental, economic, and social responsibilities.

As we move into 1973, the growth and profit opportunities for our major businesses are excellent. Even though there is still some uncertainty about the specific effect that Phase III restrictions will have upon the cost-price relationship of some of our operations, we expect that the overall effect will not impede our progress.

We anticipate an economic environment in 1973 which will permit us to meet our objectives. We expect the Gross National Product to increase 9.7% to $1,264 billion. We expect to see a strong growth in after-tax income, with a five percent increase in real purchasing power. A higher level of consumer credit, a small decline in the savings rate, and improving consumer sentiment should benefit both Wards and Container. Inflation, however, remains a severe threat and efforts to dampen that threat, accompanied by higher short-term interest rates, could slow the economy. On balance, we expect 1973 will be another good year for Marcor.

Leo H Schoenhofen

Leo H Schoenhofen
Chairman and Chief Executive Officer
Marcor Inc


REFLECTIONS


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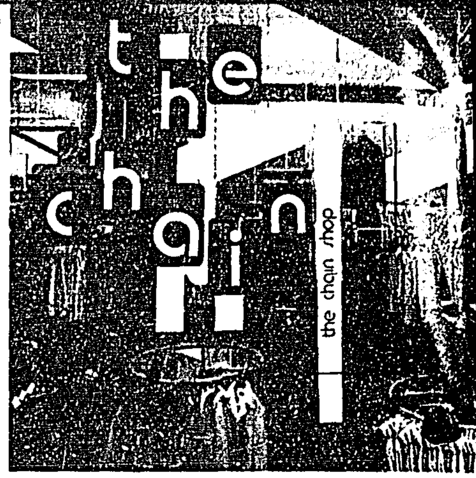
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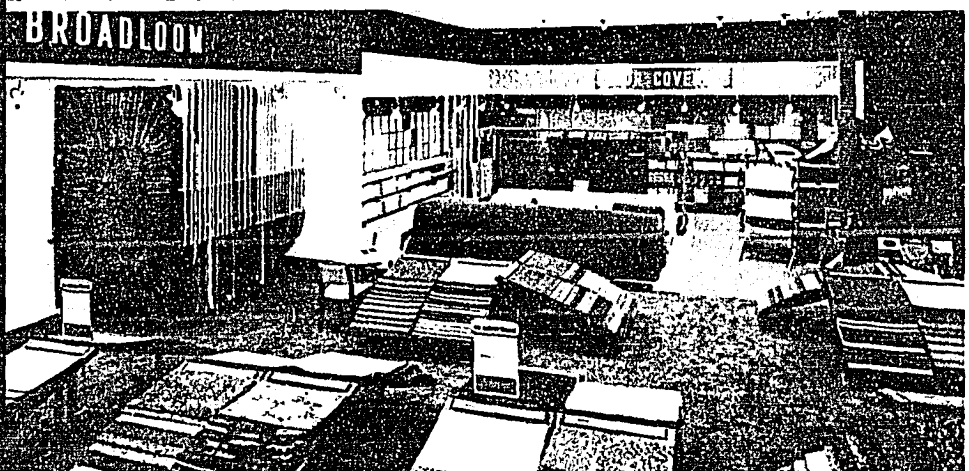
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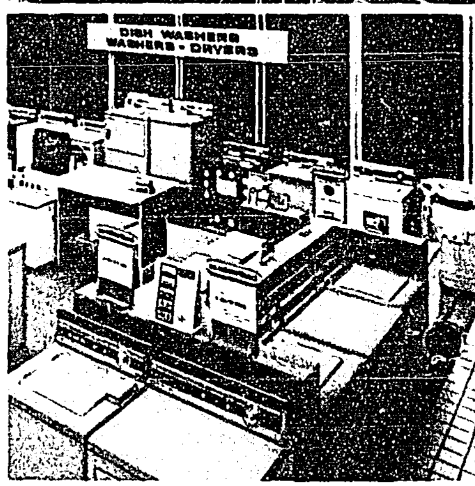
HOUSEWARES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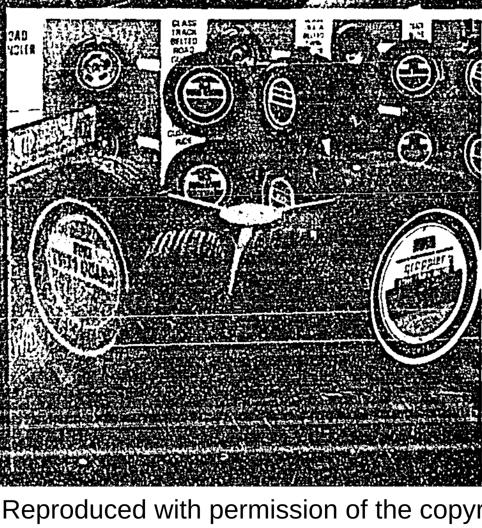
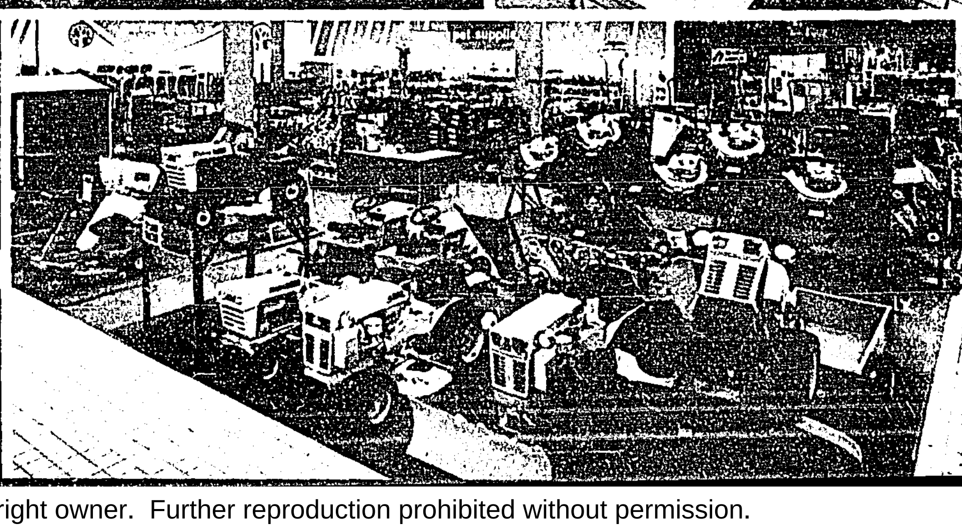
WASHERS • DRYERS





Montgomery Ward President's Report

A bright, modern colorful look is emerging throughout Montgomery Ward stores as the newest phase of its expansion into the suburbs of metropolitan communities

Earnings reached a 20-year high and sales established a new all-time record during Montgomery Ward's historic centennial year.

Net operating earnings in 1972 were $49,469,000, a 15% increase over last year's earnings of $43,012,000. Total net sales were $2,640,122,000, an 11.1% increase over 1971.

Major reasons for the improvement trend were:

- A stronger promotional policy, combined with emphasis on our higher quality merchandise.
- An adjustment in credit policies that attracted more patronage from credit customers.
- New standards of cost control which held administrative expenses to the 1971 level.
- Substantial progress in development of our computerized systems in both retail and catalog operation.
- Improved sales and earnings generated by catalog operations, repair services, automotive services and by our subsidiary companies.

Phase II restrictions on markups made it necessary to change our merchandising strategy. We developed a program that emphasized larger sales volume to generate an increase in total gross margin dollars at restricted markup percentages. At the same time, we increased use of TV advertising and store displays featuring higher quality merchandise. This strategy was successful and in the second half of 1972 Wards succeeded in increasing its sales at a higher rate than most of its competitors.

Our improved 1972 performance included an increase in total credit sales to 51.4% from 49.1% of sales in 1971.

The performance of Ward's new and remodeled large stores in major urban markets measured up to our expectations, producing 51% of retail sales and 79% of retail operating earnings in 1972. These and other modern stores built in smaller markets since 1958 produced 91% of retail sales and virtually all retail operating profits.

Sales and earnings of 18 new stores opened in major shopping centers during 1972 were substantially improved over those of new stores in previous years.

These 18 new stores added 1.4 million square feet of gross space to the retail system, after closing 25 old stores, to bring total retail space to 23.4 million square feet. In 1973, we have scheduled the opening of 20 new retail stores ranging in size from 95,000 square feet to 190,000 square feet; 17 of them will be in major shopping centers.

Our basic expansion strategy calls for entering regional shopping centers to increase our share of market in those major cities where we are currently operating. We will enter single store markets only when we can achieve a dominant share of the market for Ward-type merchandise and services.

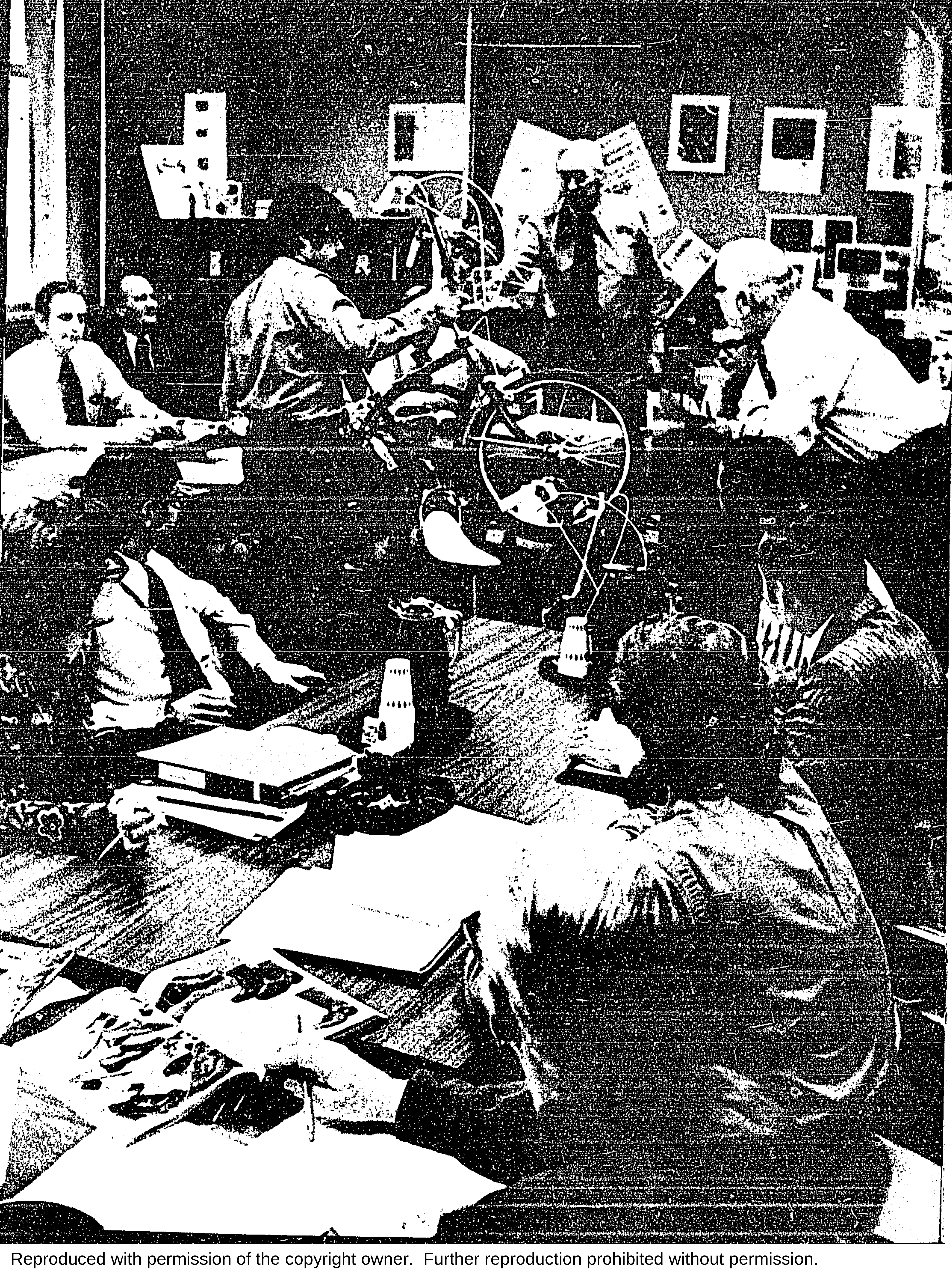
We are taking many actions to meet new expectations of consumers. Our test laboratories are continuously working with our suppliers in seeking ways to improve product quality and to simplify maintenance and repair. Guarantees and warranties have been simplified and clarified. We obtain Underwriters Laboratories certification of the safety of electrical appliances to protect our customers. Through daily telephone interviews with customers, we obtain honest and factual comments about all products and services.

We expect our new policies and strategies, as well as general economic conditions, will continue to have a favorable influence on sales and earnings in 1973.

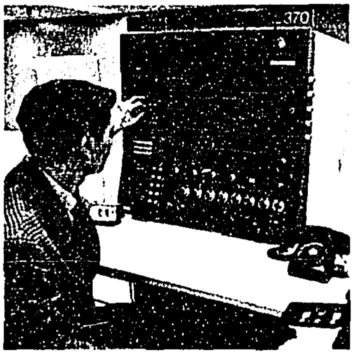
The sales momentum of the last half of 1972 has continued into the first quarter of 1973. For the balance of the year, despite comparisons with excellent second-half results in 1972, we foresee continued sales and earnings improvements.

E. S. Donnell

Edward S Donnell
President and Chief Executive Officer
Montgomery Ward & Co, Incorporated



Modernizing Operations for Catalog Customers



Ward's professional buyers serve as purchasing agents for millions of customers Every product must be examined and approved before orders can be placed with manufacturers and the merchandise delivered with Montgomery Ward's guarantee of satisfaction... computers handle accounting, inventories, credit accounts and reordering of merchandise millions of customer orders are received by telephone units, the simplest way of shopping in the 20th century... catalogs offer more than 100,000 items, a principal reason why catalog shopping is one of the fastest growing types of retailing.

More consumers bought more merchandise from Ward catalogs in 1972 than ever before. Aggressive merchandising and promotional programs increased sales of high-quality items at satisfactory mark-ups. A reduction in operating costs as a percentage of sales contributed to the doubling of profits in 1972 over 1971.

More than two-thirds of catalog sales in 1972 were placed by telephone. Catalog desks in retail stores and sales agencies accounted for 63.7% of total catalog sales. 103 new catalog sales agencies were opened during the year to provide better merchandising services to customers in small, medium-size and suburban communities. Ward's sales agencies totalled 1,079 at year-end.

Concern for the consumer is involved in every facet of catalog merchandising. Buyers make sure the items meet or exceed Ward and government standards of durability, safety and performance. Products are reviewed by special merchandising committees acting for the consumer in the areas of quality, value, price, advertising claims, performance and serviceability.

Mechanization and computerization of catalog operations improved productivity as well as order processing and inventory control during the year. Merchandise buyers now are able to select items for catalog pages based on preferences tabulated in computer reports of customer buying preferences.

Products which are exceptionally outstanding values for customers are labeled "Best Buy" and are specially featured in catalog pages and stores. Such items must have been tested and approved by Ward's Merchandise Research and Development Laboratories. They must either be comparable in quality and features and lower priced than competitive items, or better in quality and features at the same price, and they must appeal to a broad spectrum of customers.

Catalog sales are competing more aggressively with retail because many young homemakers prefer to shop by telephone from home. These affluent young marrieds have an apartment and do not have to furnish and maintain suburban homes. Therefore, they have more disposable income to spend on fashions, accessories and leisure-type merchandise. Ward's 1972 catalog sales in these lines increased substantially.

Diversifying with the Leisure Market

Consumers have more leisure time to spend in a variety of ways. They are more mobile and are finding fun and relaxation in family activities. They're cooking outdoors, taking weekend and holiday family trips, developing new hobbies and undertaking home improvement projects.

These expanding markets will grow even faster as additional manufacturing and service industries adopt four-day work weeks.

With more leisure time, consumers want special-purpose merchandise which permits them to "do their own thing." Wards has broadened its assortments to meet their specific requirements for such items as cameras, power tools, musical instruments, games and hobbies.

Amateur and professional camera bugs find a full line of cameras, film and projectors manufactured for Wards by well-known firms—everything from a Kodak Instamatic pocket model or a Polaroid "Square Shooter" to a complete movie outfit.

For the do-it-yourself hobbyist, Wards offers tools for almost every type of job. In 1972, it introduced the first UL-approved electric welding outfit for home use on normal 115-volt house electrical current.

Ward's line of sewing machines is broad enough to satisfy the beginner or the professional, and every machine carries a 20-year guarantee.

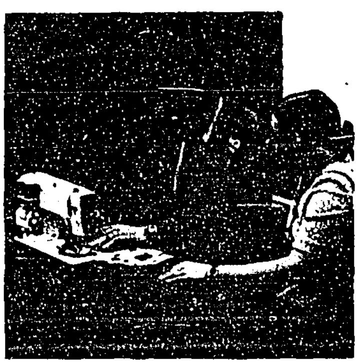
Much of the manual effort has been eliminated from lawn and garden work with Ward's powered compost mills, lawn vacuums, edge-trimmers, hedge and shrubbery trimmers and two- and four-speed tillers.

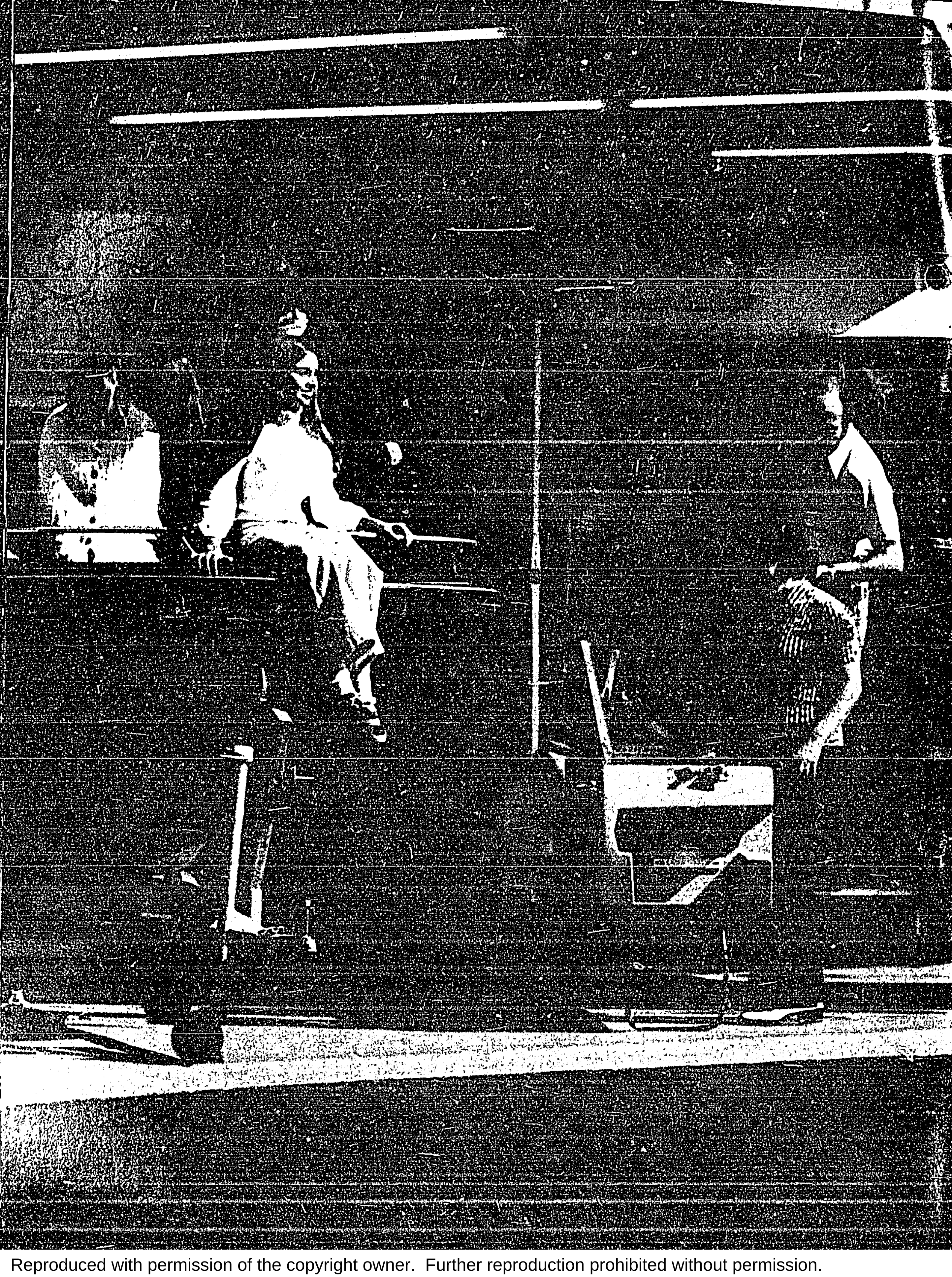
Newly styled aluminum and steel storage sheds complement a variety of home exteriors and come in a wide range of shapes and sizes.

For those who are musically inclined, there is a wide assortment of instruments —chromonicas, concertinas, auto harps, 15 different guitars (folk, funky, country or classic) and an electronic organ with special features which eliminate complicated fingering and footwork.

Physical fitness advocates can "put it all together" with Ward's full line of home exercise equipment—massagers, jogger exercisers, exercise loungers, rowers, exercise bikes, trampolines, weight-lifting equipment and a complete exercise gym.

In Ward's modern large stores, there is something for everyone—power tools for the workshop, plants and shrubs for the home, musical instruments for the young, party and novelty items for entertainment, sewing assistance for the dressmaker and a full line of patio grills and furnishings. Young or old, married or single, Wards has the products for the new lifestyles of every customer.





Developing New Products for Outdoor America

With more discretionary income available, American families are spending billions of dollars annually on recreational activities—camping, fishing, boating, hunting, cycling, golf, skiing, tennis and vacation travel.

Spending for leisure and recreation has been increasing by an average of about 7.6% annually. In 1972, Ward's retail and catalog sales of sporting goods increased 20%. Broad assortments of this type of merchandise, offered at competitive prices, helped to account for the increase.

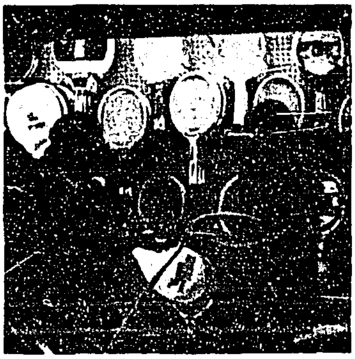
As families have sought larger and more fully-equipped tent trailers, Ward buyers developed a new camper that has 104 square feet of living space, sleeps six and has a complete kitchen which slides out even when the top is down. It also features more and bigger windows, larger and safer tires, and stronger canvas with greater rain and moisture resistance—a new product value for America's mobile families

Wards has expanded its line of water sports merchandise, offering fishing boats, nylon rafts, sailboats and new fish & ski units to combine the best of fishing and family water sports.

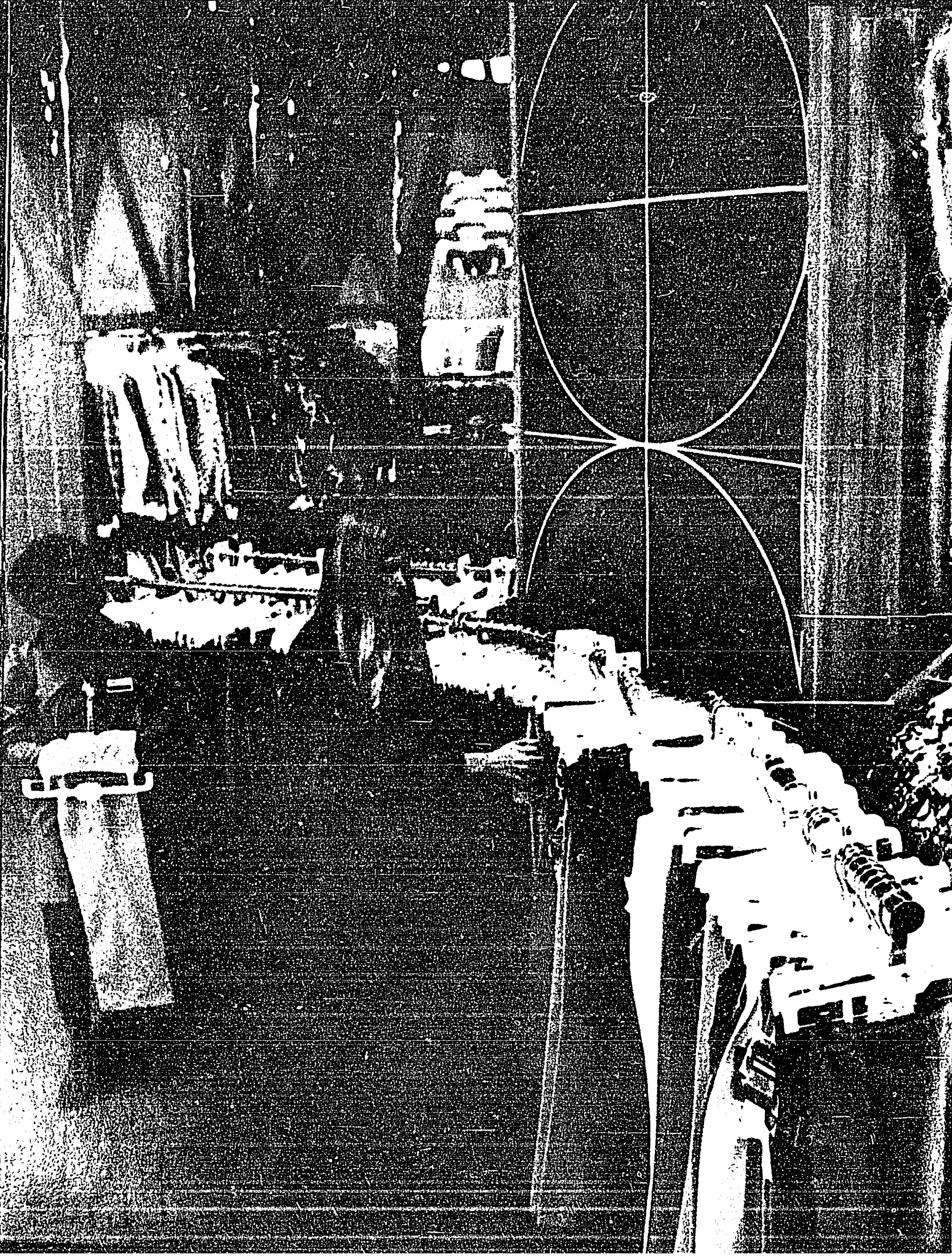
Low profile, lightweight 9.6 h.p. and 6 h.p. outboard motors for fishermen have twist-grip throttles, low-level rewind starters and full range gearshifts.

The company offers a complete line of equipment and clothing for such sports as tennis, golf, bowling, skiing, hunting and fishing. Ward's new, large stores have expanded their sports shops for displays of wide selections of seasonal merchandise.

Wards is working more closely than ever with its suppliers of sporting goods and is developing new sources to increase distribution efficiency and to bring new and improved products to its customers.



Young and modern families are rediscovering the freedom of outdoor living and the fun of sports for all. Wards shares in this booming recreation market with campers, trailers, tents, boats; fishing, golf, tennis and other competitive and individual sports equipment . better quality products for all-American living



Merchandising Fashions for All Consumers

Fashion is for everyone and Montgomery Ward stores keep everyone in the fashion of comfort and style for every age, from the glamorous sophisticate to the toddler, as well as the clothes-conscious teenager and the young mother who dares to be different. At Wards, it's fun to shop.

Fashion sales and profits increased substantially as the company continued to respond to consumer demands for casual, easy-care fabrics, a broad assortment of merchandise in all price ranges, proper care labeling and boutique environments.

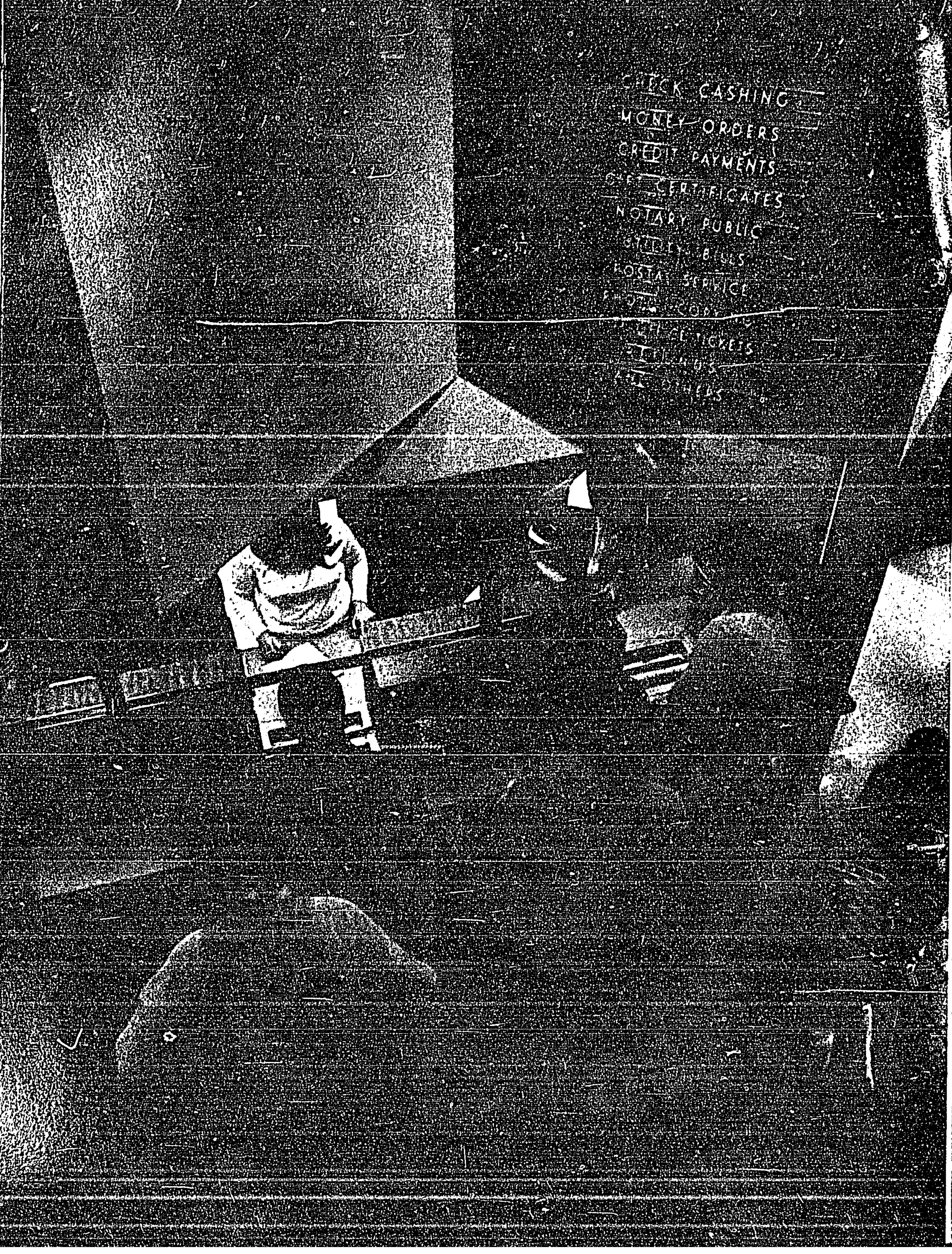
In catering to the 18 to 35-year-old market, Wards offers everything from denims and jeans to elegant formal wear in varying price ranges. The styling represents the influence of American, European and Far Eastern designers.

Polyesters are a popular choice of today's consumers, and at Wards, customers find broad selections of easy-care items which meet their needs.

Wards was one of the first to require permanent care labeling on all wearing apparel on which care information is helpful to the consumer. As part of this program we supported government proposals in appearances before the Federal Trade Commission and required that our 2,000 fashion manufacturers provide permanent care labels on all items they manufacture, whether or not they are made for Wards. This action was taken before enactment of government regulations.

Through extensive research of Ward customers, we found they prefer to shop for complete ensembles attractively displayed in boutique-like environments. We now are meeting their preferences by offering dresses, pantsuits, blouses and sportswear for young women in their own "Junior Reflections" boutique shops and slacks, shirts, belts and jackets for young men in special "Chain Shops."

Because of shopping preferences expressed by customers, Wards is substantially increasing space allocated for fashion apparel and accessories in its new stores. Fashion departments in existing stores also are being enlarged to provide more spacious and more attractive displays of men's and women's fashion apparel.


CHECK CASHING
MONEY ORDERS
CREDIT PAYMENTS
CERTIFICATES
NOTARY PUBLIC
POSTAL SERVICE

Increasing Services for Consumer Convenience

With consumers wanting the convenience of one-stop shopping, Montgomery Ward is continually providing additional in-store services to attract more customers.

Most stores have expanded Customer Accommodation Centers offering such diverse services as utility payments, gift certificates, postal service, notary public, photo copying and ticket reservations for theatrical and sports events.

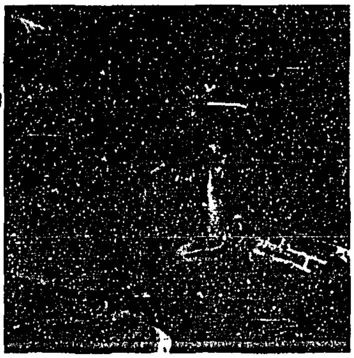
Wards continues to be a leader in offering young America special instructions in good grooming and good fashion through its famous Wendy Ward charm school courses. During the 11 years the program has been offered, more than 2 million—children, teenagers, young matrons and homemakers—have taken advantage of these popular in-store classes.

Other services include income tax preparation, key-making, beauty, optical and hearing aid shops. Ward's Decorator Studios offer customers professional assistance in the design and selection of decors for the entire living areas of homes. This increasingly popular service, offered as a series of instructional courses, is staffed by professionally-trained interior decorating specialists.

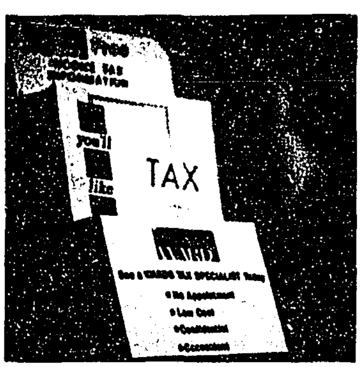
Ward's kitchen planning centers provide a total planning and design service including plumbing, cabinetry and floor coverings. A steadily increasing number of customers are utilizing and taking advantage of the economies of Ward's professional counseling and contracting services.

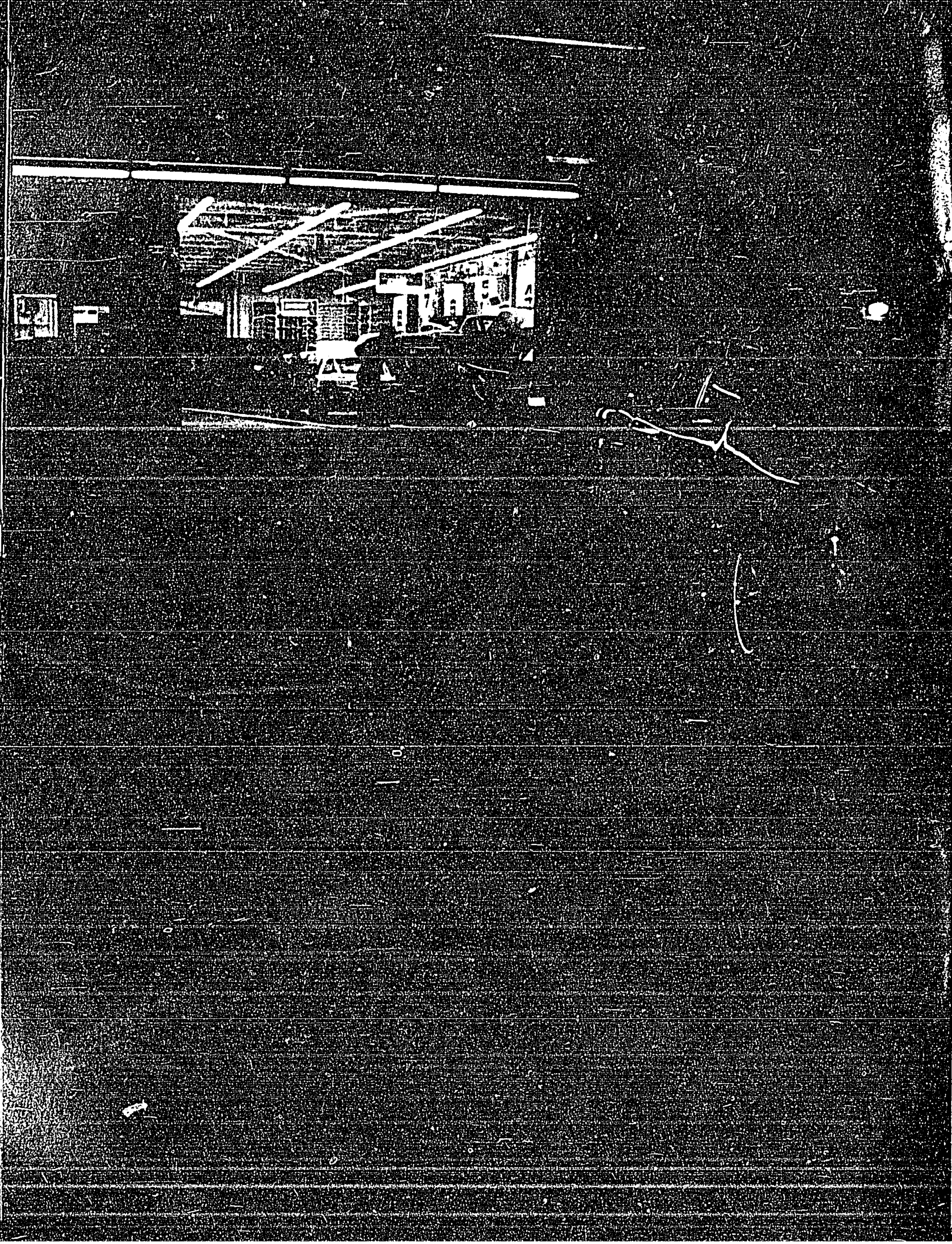
Whether customers want a light snack or a complete meal, they can take a shopping break in Ward's in-store buffeterias. In addition to operating buffeterias in 275 stores, the company owns the Putsch chain of seven restaurants in Kansas City and the Sign of the Beefeater chain of seven restaurants in Detroit.

These in-store services are being further expanded to meet the ever-increasing diversification of consumer interests.



Life can be better and Ward stores make it so for all customers, offering them a full assortment of services—all with the guarantee of satisfaction. For all customers, credit opens the future to more comfortable living, better grooming and even such specialized assistance as corrective hearing aids and income tax counseling At Wards, the interests of the customer comes first.





Expanding Service for Motorists

Customer response to Ward's automobile service and repair is increasing as more consumers experience the company's reliability of service.

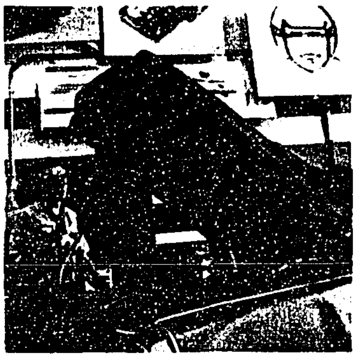
Ward's auto service centers in large metropolitan areas offer customers an extensive line of replacement parts for most American cars and provide complete maintenance service. Some service centers have foreign car specialists as well as parts inventories. Equipment for engine testing, motor replacements, wheel alignment and brake work are now standard at all Ward service centers.

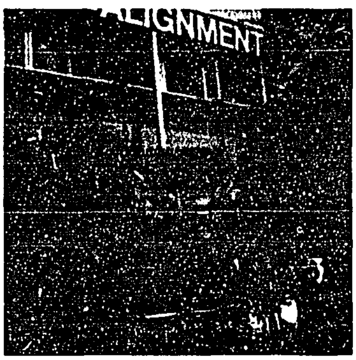
A full line of tires and batteries for all cars and most standard trailers and trucks are complemented with a broad assortment of auto accessories.

Ward auto service centers install and service air conditioners, radios and tape players with the same guarantee of satisfaction that has been the company's policy since it was founded.

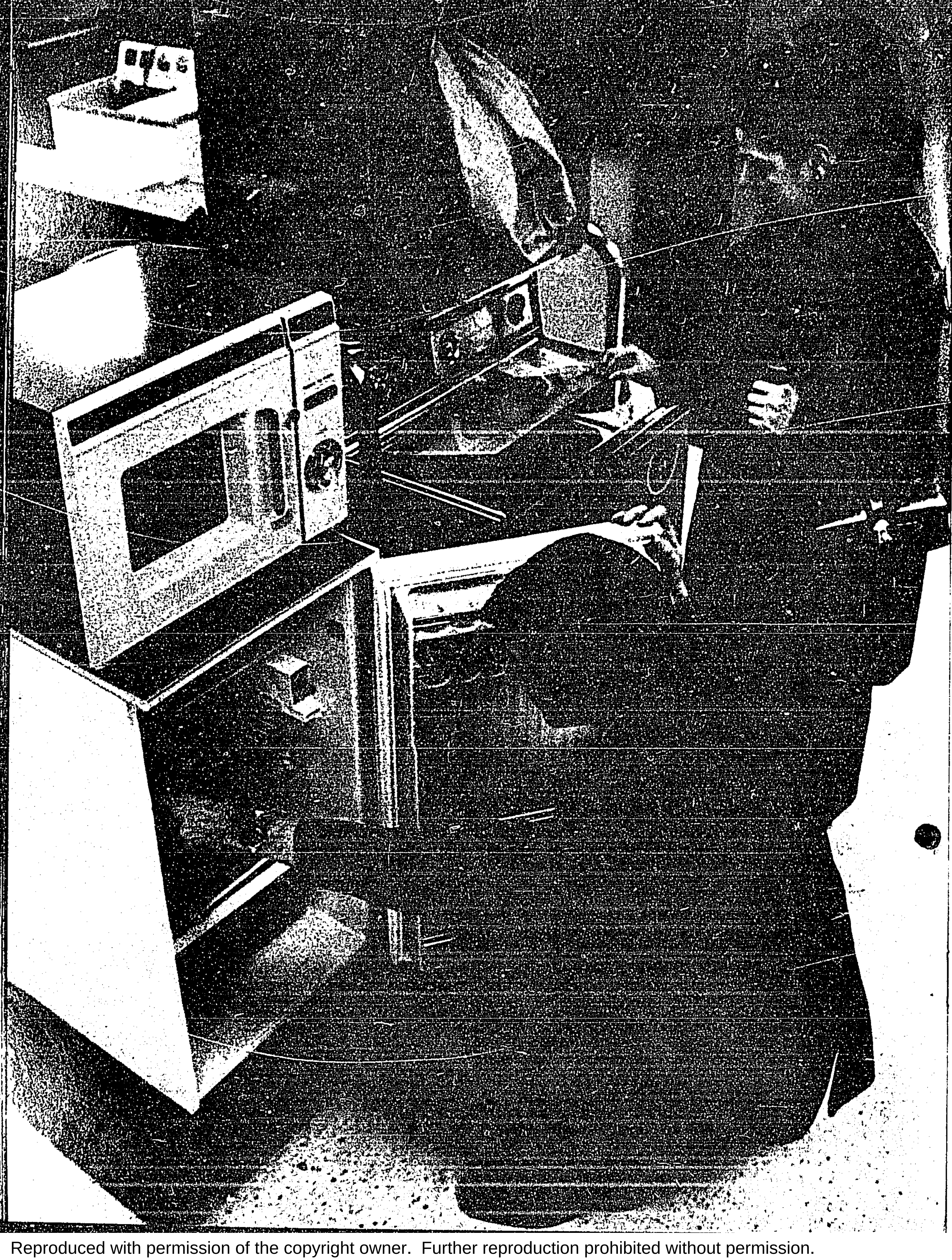
Speed and efficiency of Ward automotive service centers is being improved by arranging service bays in the modern herringbone style. Cars enter these service areas at one end, pull to either side for service and exit at the opposite end. At the beginning of 1973, Wards had a total of 4,300 service bays to provide prompt service to customers.

A chain of combination tire-battery-accessories and catalog stores is serving consumers in medium and small markets and is being expanded each year. In 1972, the company opened 27 of these units, and 35 more will be added this year, bringing the total of catalog store TBA service units to 160.

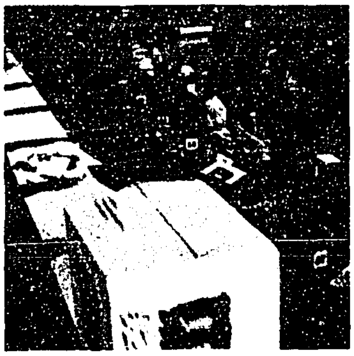


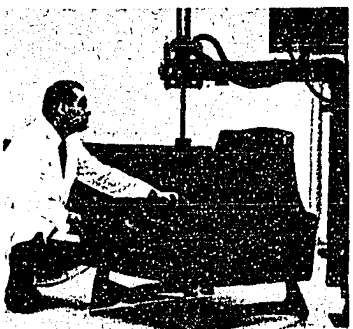


Wheels need attention to keep families and sportsmen safe. Experienced Ward mechanics offer motorists the security of reliable service as well as a full range of tires, batteries, accessories and the newest in sports vehicles and safety equipment. Nationwide, Wards is equipped to work on 4,300 customer autos at any one time.

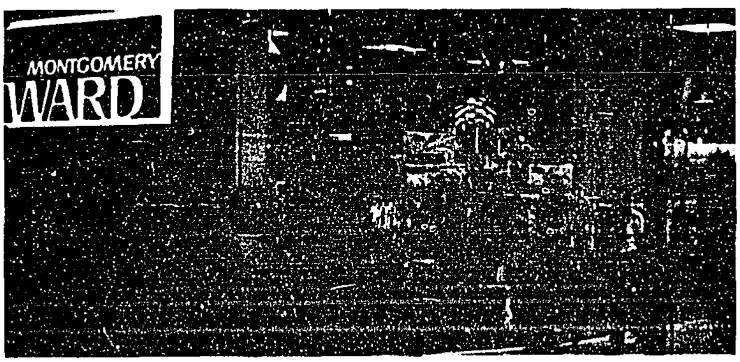


Meeting Consumer Expectations





Whatever consumers want, Montgomery Ward is dedicated to research, develop, produce, package, label, advertise, deliver and service. Mini-appliances are available for small apartments—refrigerators, electronic ovens, dishwashers, laundry washers and dryers. Young homemakers get special credit programs. Automated warehouses airship products around the clock. Customers receive apparel and other products with descriptive labeling and instructions. Consumers of the 70's are finding new assurances of satisfaction when they buy from modern and expanding national consumer protection organizations like Montgomery Ward.



There is a trend among consumers to deal with national retailers who have been in business a long time and who service what they sell.

As one of the nation's largest national chain retailers, Montgomery Ward has renewed its policy commitment of placing the interests of "consumers first," in many instances taking a leadership position.

Wards was the leader in the retail industry in demanding permanent care labeling in its apparel lines and also introduced flame-resistant children's nightwear before Federal laws required it.

Advertising claims are constantly checked against supplier and laboratory reports to make certain that products will perform as claimed. Packaging has been redesigned to be more attractive and to provide more information—visual and print—to customers. Warranties and guarantees are undergoing revision to make them simpler to read and understand.

In March, 1973, Wards became the first national retailer to offer a new credit plan designed specifically to help young married couples budget major purchases for the home or apartment.

Wards has a nationwide network of service facilities and technicians. More than 2,600 skilled repair technicians service Ward products, using a fleet of more than 2,000 service trucks, a computer-controlled National Parts Center and mobile training classrooms for instruction of technicians.

Wards has adopted as practice and policy the guidelines established by the President's National Business Council for Consumer Affairs, chaired since its inception by Robert E. Brooker, Chairman of the Executive Committees of Montgomery Ward and Marcor. These guidelines deal with packaging, labeling, product safety, guarantees and warranties, credit, advertising and consumer complaints and remedies.

Because it is Ward's corporate policy to produce social as well as economic dividends, the company is continuing its active support of disadvantaged minority groups in addition to its financial support of welfare, educational and youth programs.


BRANDY
KIMBIES
SPALDING
new exciting panelling
SAFETY GLASS
HANDLE WITH CARE
TURKEYS
SINGER
THIS SIDE UP
FRAGILE DO NOT DROP
HUFFY
SERV-A-PORTION
PAPER MATE
WHITE BROS. PENS
AJAX
AAtrex 4L
WHITE BROS. PENS
IBM IBM IBM IB
Heidelberg
Miller
FOOTBALL
Free n' Soft
Give-a-Show
Give-a-Show

Container Corporation of America President's Report

Packages for some of the thousands of companies served by Container Corporation—the nation's largest producer of shipping containers and folding cartons, and a leading manufacturer of composite cans and plastic industrial containers

Consolidated operating earnings for Container Corporation of America in 1972, before provision for income taxes and parent company interest charges, rose 50.6% to $62,108,000. Earnings after taxes were $33,576,000, making 1972 the second best profit year in company history. Sales of $644,733,000, a 15.4% improvement over 1971, established a record for the fifteenth consecutive year and represented the highest annual sales gain since 1955.

Despite increased labor costs and a $2 million pre-tax loss as a result of Hurricane Agnes, the company increased its pre-tax operating earnings as a percent of sales to 9.6% from 7.4% the previous year. All domestic and overseas divisions benefited from improved productivity, increased volume, and moderate price increases.

Sales of consumer and industrial packages, which represent over four-fifths of domestic sales, rose 13.4%, enabling us to operate our paperboard mills, which supply raw materials to our fabricating plants, at a substantially higher level than the previous year.

The addition of new capacity at our expanded Fernandina Beach, Florida, containerboard mill proved timely, coinciding with a period when containerboard demand is growing more rapidly than industry capacity. This mill, which experienced startup problems in 1971, operated at rated capacity during the last half of 1972.

In order to strengthen the company for the future, we restructured our basic corporate organization by realigning key operating and functional responsibilities among senior executives during the year.

Package fabricating operations and related paperboard manufacturing facilities have been combined under single responsibilities to improve the effectiveness of their operations.

R. Harper Brown and Thomas F. Cass were designated Group Executive Vice Presidents.

William E. Mastbaum succeeded Mr. Brown as Senior Vice President in charge of the domestic folding carton division.

Functional duties were realigned as follows:

Frederick S. Crysler was named Administrative Executive Vice President.

Responsibility for all personnel, industrial relations and equal employment opportunity activities was consolidated under the direction of Richard C. Bittenbender, Vice President—Personnel. All financial affairs of the corporation were grouped under Robert E. Feltes, Vice President—Finance. H. Woodward Johnson was elected Controller of the company, succeeding Mr. Feltes. James F. Oates was elected Treasurer of the corporation, succeeding Paul W. Guenzel, who is retiring after forty-two years of service.

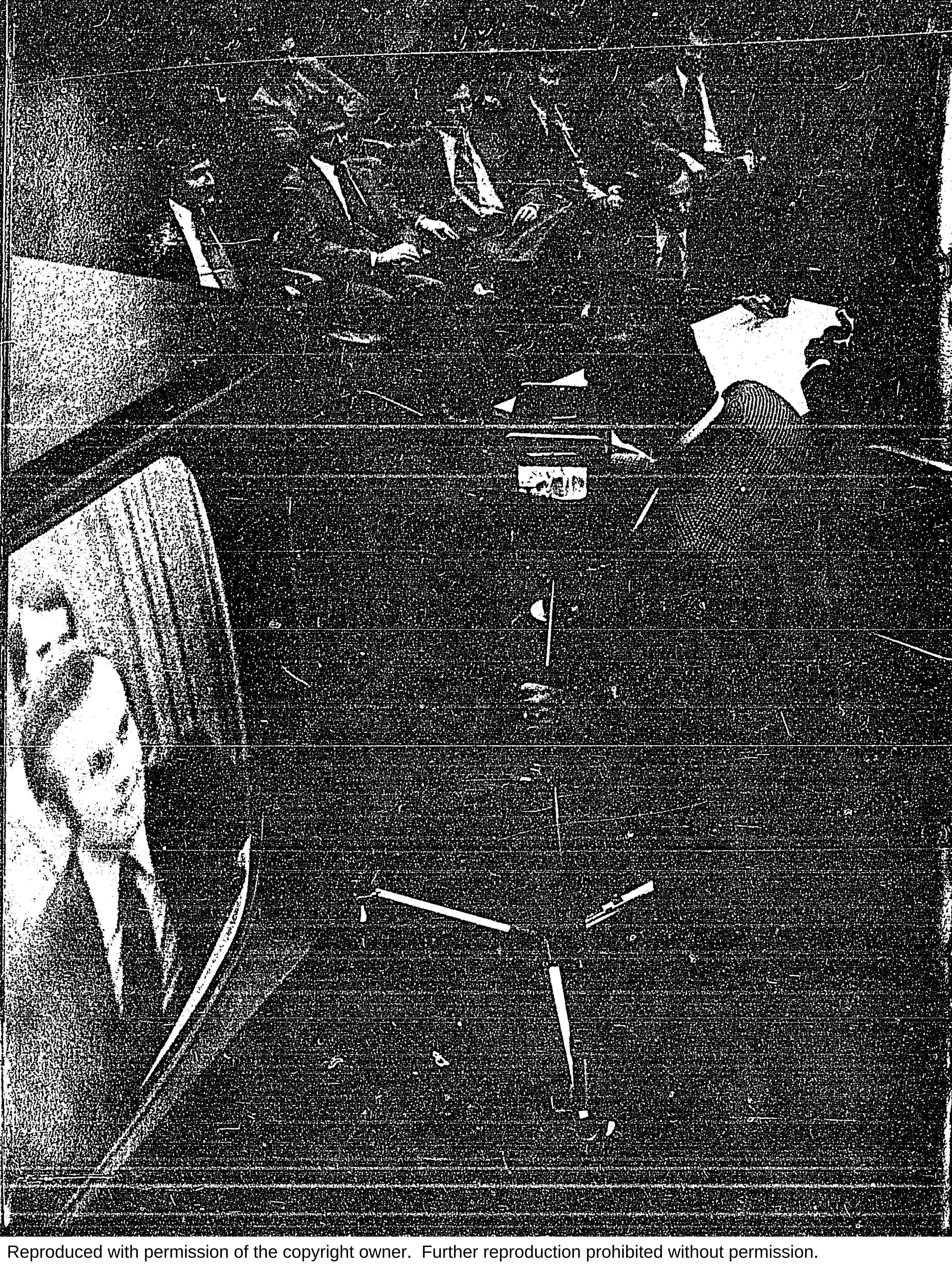
Laurence A. Combs, Vice President of Industrial Relations, and Robert E. Phinney, Vice President in charge of Southern Paperboard Mills, retired following forty-four years and forty-one years of service respectively.

Colin C. Handlon, Director of Industrial Relations; David F. Reynolds, Division General Manager of the West Coast shipping container division and Jack D. Tovin, Division General Manager of the eastern folding carton division were elected Vice Presidents.

Prospects for 1973 are very encouraging. Demand for all principal product lines continues to be excellent, both for domestic operations and in the overseas countries in which we participate. Future demand projections for the U.S. exceed planned industry capacity additions during the next three years. These favorable market conditions should allow further essential price improvement during the coming year.

H. G. Van der Eb

Henry G. Van der Eb
President and Chief Executive Officer
Container Corporation of America



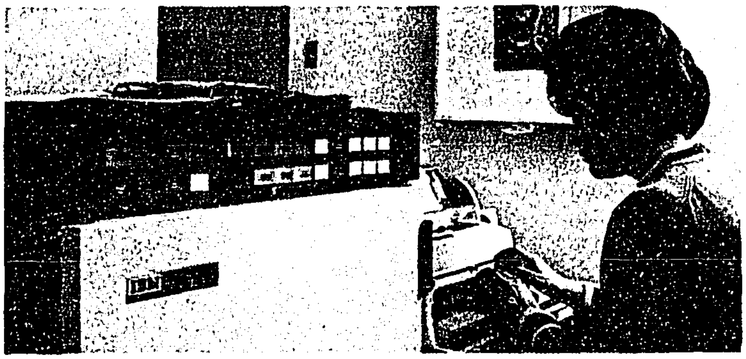
Developing Human Resources to Assure Corporate Growth

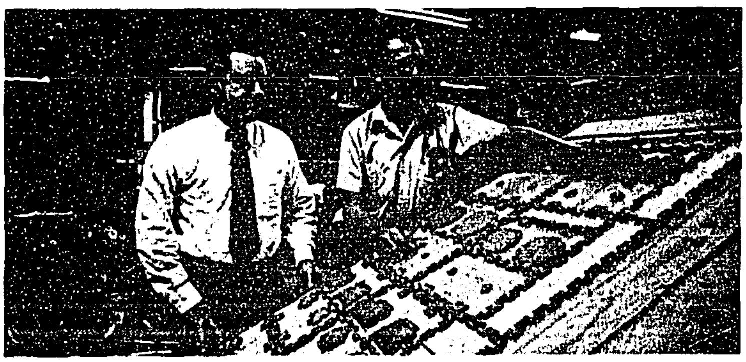
The human resources of Container Corporation are the key element that determines its ability to meet and anticipate distribution and marketing requirements of customers. The corporate organization consists of over 21,000 men and women, working in plants and offices, laboratories, forests and paperboard mills in the U.S. and six other countries. Its 140 plants and mills operate as relatively independent businesses, under a management system that delegates maximum authority and responsibility to local managers. This decentralized organization, which provides for successful development of local markets, also constitutes an environment which encourages individual self-development. One measure of its success, over the years, is the fact that virtually all of the company's present senior management team is a product of this system.

The recruitment, training and development of people is a major assigned responsibility of the senior manager at each property. Local training and development activities are supplemented by formal company-wide programs in specific areas.

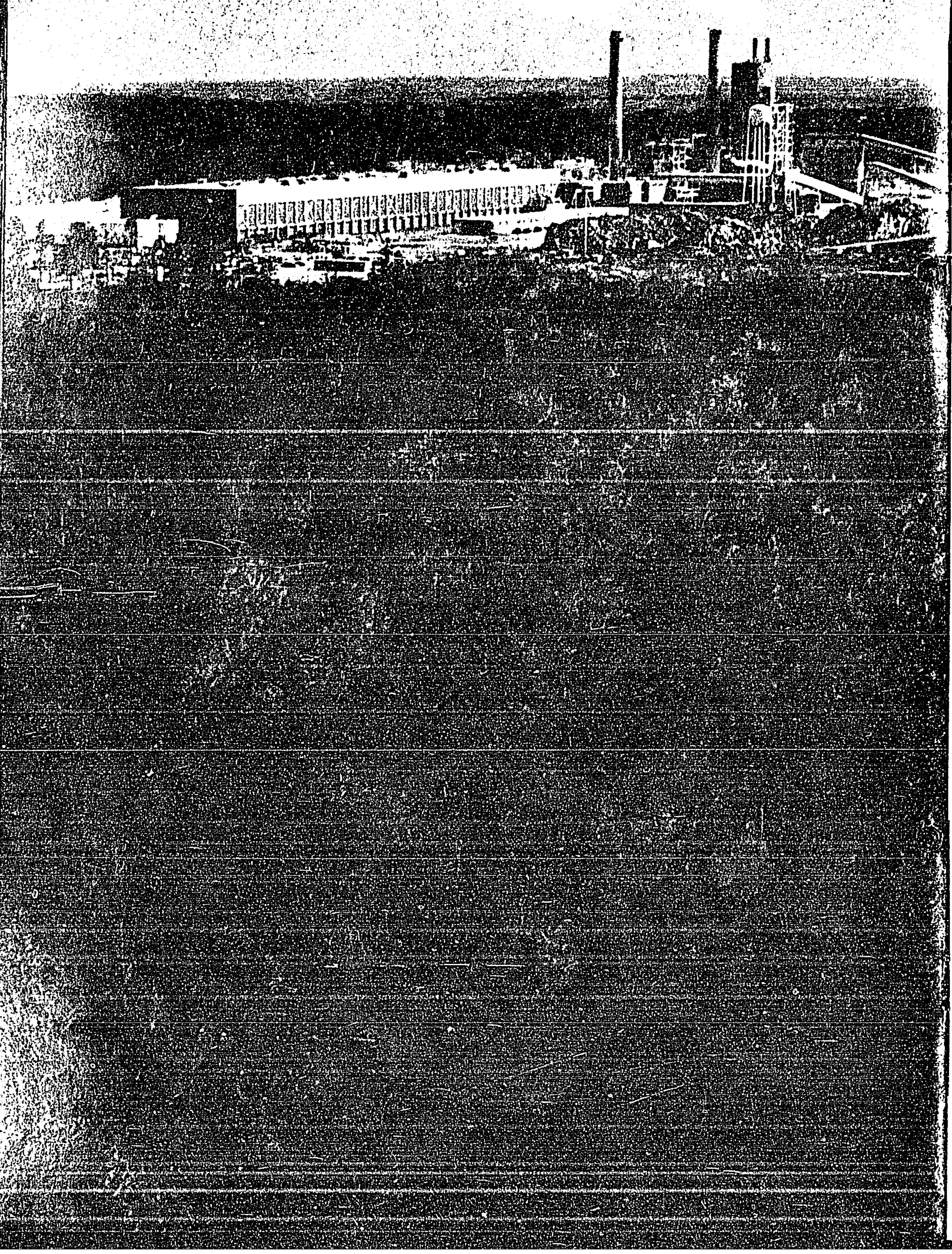
Similar programs of personnel selection, training, and development are used in overseas companies, which employ the same decentralized management concepts as the domestic company. The result has been the development of strong local organizations, consisting primarily of citizens of each country in which we have operations, supplemented as needed by small groups of management and technical personnel from the U. S. company.

Container Corporation has long had a policy of non-discrimination and is fully committed to equality of employment opportunity. During the year, this policy has been reaffirmed to all employees charged with the responsibility for hiring, training, supervising, transferring, or promoting employees. It is the intent of this re-emphasis to insure greater promotional opportunities for minority and female employees of the company.

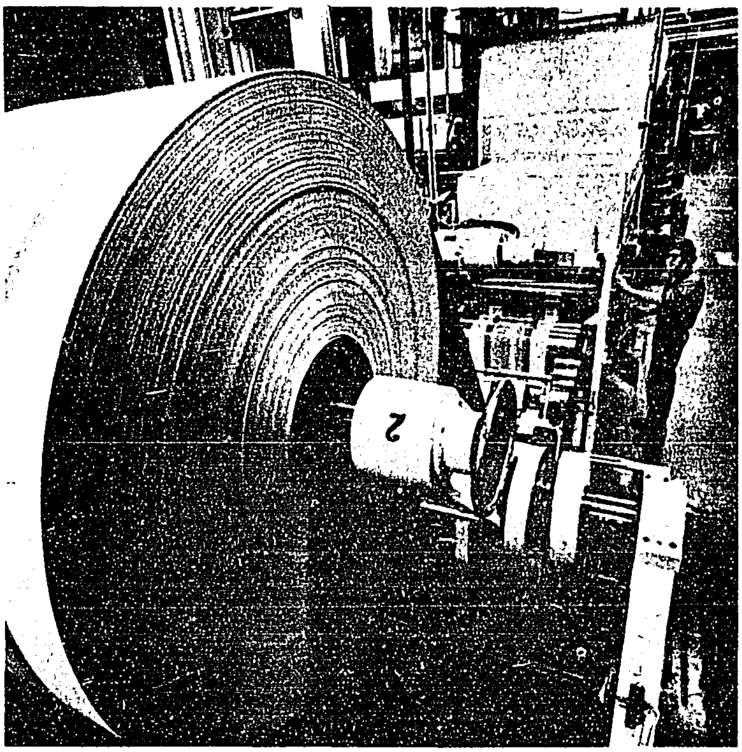


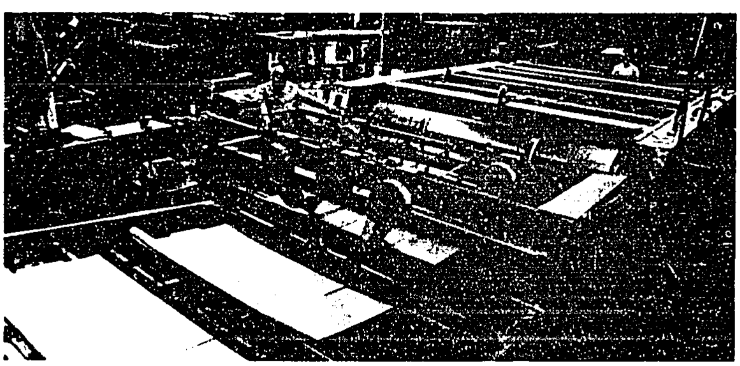


On-the-job training programs at local plants are supplemented by formal training to develop and sharpen specific skills. During the past two years, more than 500 managers completed programs to improve problem-solving and decision-making skills. Some 1200 supervisors and plant employees have undertaken formal training to improve their problem-solving skills. In addition, 500 employees completed formal training in communication skills.



Building for Future Customer Requirements





Our 1972 capital expenditures of $40.6 million represented the continuation of a long-term program which has given Container Corporation a nationwide network of modern plants to serve the packaging needs of customers.

Because domestic operations are now well diversified, from the standpoint of geography and product mix, a substantial portion of newly appropriated capital is being concentrated in the expansion of the capacity of established facilities. This is being accomplished in part through investment in higher speed and more efficient fabricating equipment.

In 1972, the company also began construction of new shipping container plants to replace obsolescent facilities in Louisville, Kentucky, and Winston Salem, North Carolina, with larger modern plants. Significant additions to two folding carton plants are planned in 1973.

Improvements were made in air and water quality systems at several mills during the year.

Expansion of wood pulping capacity at our Brewton, Alabama, paperboard mill included the installation of a new chemical recovery boiler and additions to the extensive water treatment system at the mill, further reducing the biological oxygen demand content of waste waters.

In the construction of its facilities, the company has historically attempted to anticipate environmental requirements. While environmental standards are constantly changing, this practice has minimized unexpected environmental expenditures. It is estimated that expenditures for this purpose should represent about 15% of domestic capital expenditures in the next five years.

Principal overseas capital investments in 1973 will be concentrated in new pulp and paperboard mills being built in Colombia and Venezuela, where growth prospects are outstanding. These projects will be financed through cash flow from a combination of depreciation, retained earnings, and local borrowings.

High speed paperboard converting equipment is being purchased to increase production at our present fabricating plants. To maintain its leadership position in paperboard packaging, Container Corporation has become the nation's second largest producer of paperboard. Two large mills in Alabama and Florida are supported by 980,000 acres of forest lands owned or controlled by the company. These trees are a renewable resource and we are steadily increasing the yield through improved forest management. Eleven northern mills last year recycled 780,000 tons of waste paper into new paperboard products

Serving Customers through Creativity and Technology

An important factor in the growth of Container Corporation of America has been its continued emphasis on meeting customer distribution and marketing needs. The contribution that a package makes to customer operations ultimately determines the value of the package. This is why the company is oriented to understanding customer needs and maintains creative and technical teams to meet them.

A market research staff determines and evaluates consumer attitudes toward products, and thereby determines the market potential for these products.

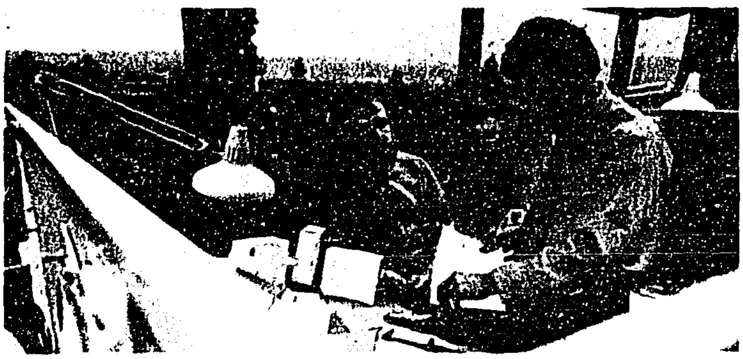
Container Corporation's creative graphic design group is staffed to create package designs, product designs, and total corporate identity programs for customer companies.

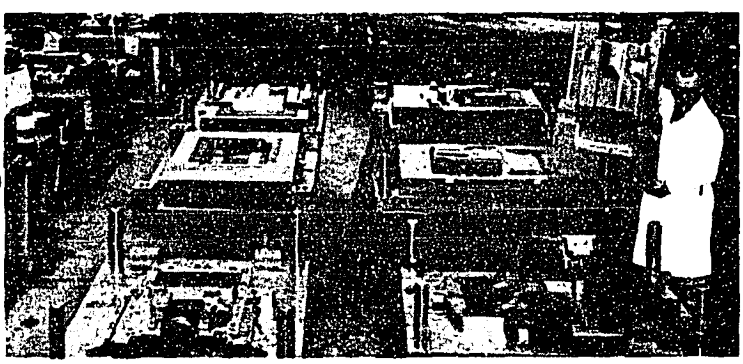
Structural design staffs, located at each carton and container plant, create packages which provide product protection in the channels of distribution, and provide for ease of storage, handling, and use.

Transportation and materials handling experts analyze customer transportation and material flow patterns and make modifications to improve the economics of customer distribution systems.

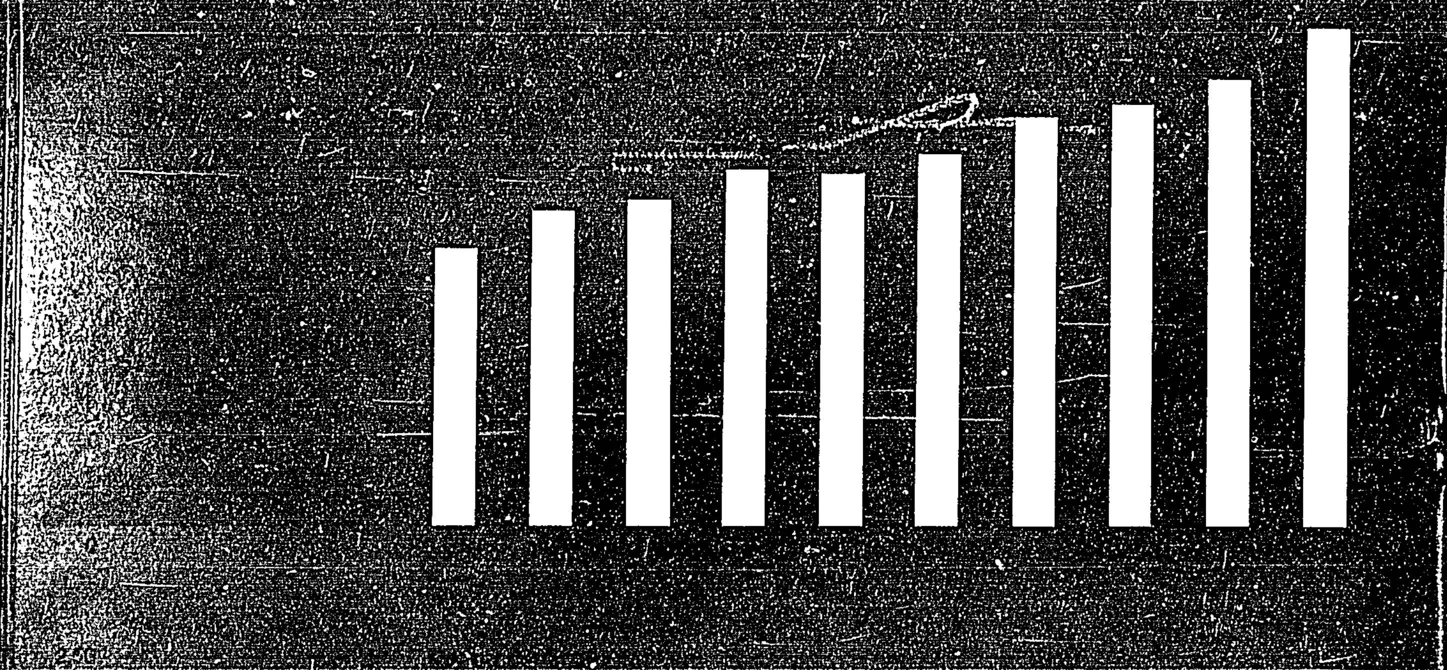
The company's mechancial packaging groups are staffed to engineer new packaging systems, modify existing lines, and produce equipment to increase the efficiency of customer in-plant packing, filling, sealing, and handling operations.

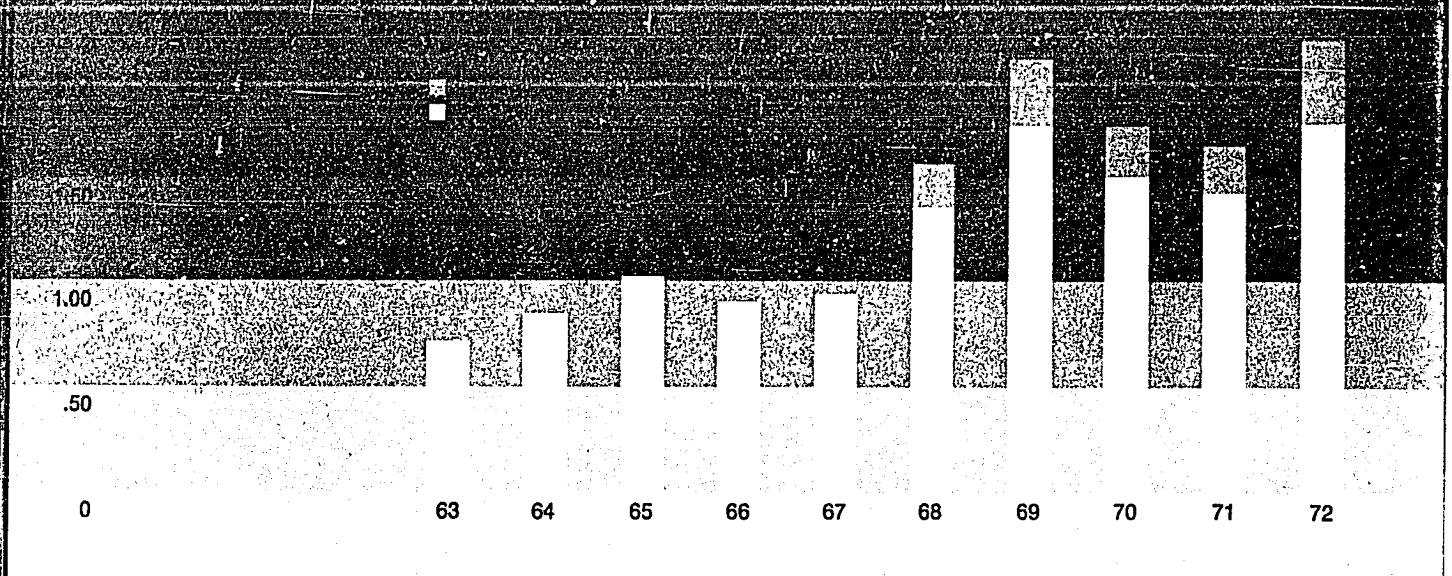
Research and Development Laboratories in each product division of the company continually search out new and better ways to improve the packaging, distribution and merchandising of customer products.





In divisional centers, new packaging developments are tested (left) under controlled conditions. Structural engineers (above) work closely with packaging machinery experts to assure smooth running on high speed filling lines in customer plants. A subsidiary, the Doerfer Corporation, designs and manufactures (below) packaging machinery systems and special purpose processing equipment.

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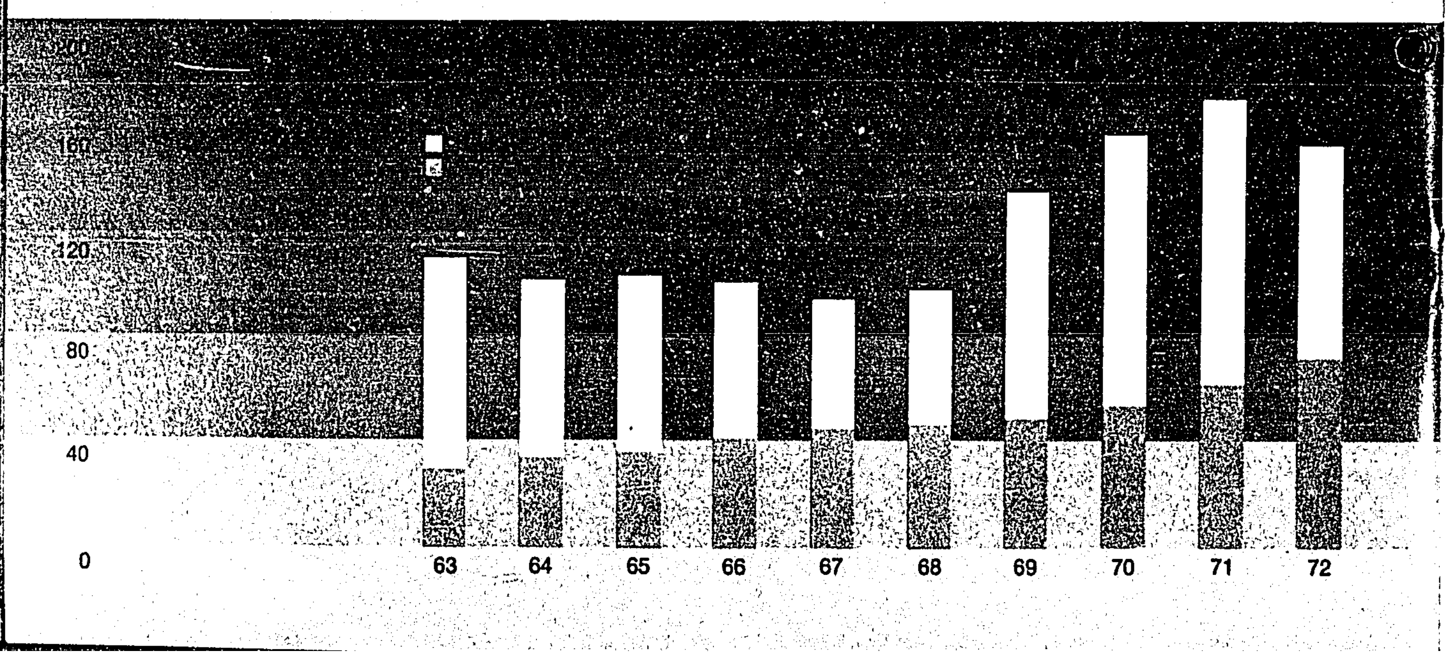
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Financial Review

Most of 1972 was a period of relatively low interest rates, although the year-end levels were considerably higher and the outlook is for substantially higher interest rates in 1973.

The company took advantage of the lower interest rates and made long-term commitments of various types totaling $125 million, including $67 million in Ward retail store sale-leasebacks, $34 million for the Ward corporate headquarters under construction, $16 million for Container industrial revenue pollution control bonds, and an $8 million mortgage for Marcor Housing Systems. In addition, landlords invested $20 million in new stores leased by Wards and opened in 1972 and another $45 million in sale-leasebacks of 1973 store properties has been arranged. The major mill expansions of Container Corporation in Venezuela and Colombia are already financed, largely with retained earnings and local borrowings.

Extensive long-term financing should not be required during 1973 as most of the $159 million of capital expenditures planned will be provided from operating cash flow.

Montgomery Ward Credit Corporation's commercial paper average balances and supporting bank lines increased to over $565 million, to support the increase in accounts receivable of Montgomery Ward as credit sales improved sharply during the year. A seven-year term financing of $40 million with banks during 1972 was completed by the Credit Corporation as well as $70 million of similar notes arranged in March, 1973.

While the requirements of Phase II and Phase III of the Economic Stabilization Program restrict price increases, the overall profit margin formula under Phase II and Phase III would have permitted a minimum of an additional $25 million of pre-tax income for Marcor during 1972 without violation. It is anticipated that Phase III should not limit the profit potential for Marcor in 1973.

The recent dollar devaluation resulted in a loss of $338,000 on Container Corporation's overseas operations and this was charged against the reserve maintained for that purpose. The company does not try to speculate for profit in international monetary matters but does try to hedge as a defensive strategy when appropriate.

Montgomery Ward has progressed significantly in the computerization of its credit operations. Over 60% of all credit accounts are handled by Credit Operating Centers located in major metropolitan areas throughout the country. Credit Operating Centers handle those credit operations that require a limited amount of contact with the stores and customers, such as bookkeeping, record storing, and statement mailing. Clustered around the Credit Operating Centers are Credit Service Centers used to service customers and stores in such areas of account servicing as the promotion, approval, adjustment and collection of credit accounts. By 1975, it is expected that all credit accounts will be processed by these centers.

A computerized credit authorization system is operating in Ward stores in 11 major cities. It gives each salesperson instantaneous access to their credit customers' files for direct credit approval.

The increasing cost of money emphasizes the need for continuation of tight expense control and the allocation of financial assets to those operations which produce the best return on investment. By exercising this control at the Marcor level, the best utilization of the stockholders' investment can be achieved and this will continue to be emphasized in 1973.

Gordon R Worley

Gordon R Worley
Financial Vice President
Marcor Inc.

Statement of Major Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of all significant subsidiaries other than those principally engaged in financial services (Montgomery Ward Credit Corporation, Pioneer Trust & Savings Bank and Montgomery Ward Life Insurance Company). The Company's investments in subsidiaries not consolidated and in companies 20% to 50% owned are accounted for on the equity method and accordingly Marcor's share of the earnings of these companies is included in consolidated net earnings and earnings reinvested.

Inventories

The valuation of retail store inventories is determined by the retail inventory method which prices individual items at current selling prices and reduces the amounts so determined to the lower of cost or market by applying departmental markup ratios. All other merchandising inventories are priced by individual items at the lower of cost (first-in, first-out method) or market (generally at current replacement cost). Manufacturing inventories, for the most part, are priced at the lower of average cost or market. The merchandise inventories reflect physical counts as of the respective year-end dates and other inventories are counted on a cycle basis. Due allowance is made for obsolete and shopworn merchandise.

Properties and Depreciation

Depreciation is provided on the straight-line method. Leasehold improvements are amortized over the shorter of estimated physical life or the term of the lease. Cost of timber harvested is based on units cut and the per unit cost of estimated recoverable timber. Maintenance and repairs are charged directly to earnings. Renewals and betterments of fixed assets are charged to property and equipment accounts. Upon retirement or disposition, the cost and the depreciation or amortization previously provided are removed from the accounts. Gains or losses on such retirements are included in earnings.

Deferred Federal Taxes on Income

The Company provides currently for federal taxes on income on all items included in the Statement of Earnings regardless of when such taxes are payable. For federal income tax purposes the gross profit from instalment sales (which is included in income at time of sale for financial reporting purposes) is deferred until the receivables arising from such sales are collected and the related deferred taxes are classified as a current liability. This liability is reduced by the net future tax benefits arising from other timing differences relating to current assets and liabilities. Taxes deferred due to the use of accelerated depreciation for income tax purposes are classified as a non-current liability.

Investment Tax Credit

The reduction in federal income taxes resulting from the investment tax credit for new property and equipment is reflected in the Company's statement of earnings currently.

Pre-opening and Pre-operating Expenses

Expenditures of a non-capital nature incurred prior to the opening of a new or relocated store are amortized over a 36-month period following the store opening date. Store closing costs and unamortized investment are charged to expense at the time of closing. Pre-operating expenses of manufacturing facilities are charged to expense as incurred except in isolated instances which are not material in total. Acquisition costs of the insurance business secured by the life insurance subsidiary are deferred and amortized over the estimated average life of the business secured.

Lease Obligations

As a general rule long-term leases are not capitalized unless the terms of the lease include an option to purchase at such a price that the rentals clearly represent purchase of an economic interest. Generally, leases for retail stores do not include such purchase options and are not capitalized.

Overseas Subsidiaries

The consolidated financial statements include the Company's significant overseas subsidiaries. Accounts of overseas subsidiaries are translated to U.S. dollars based on official or free rates of exchange as follows: plant and equipment accounts at historic rates; other assets and liabilities at rates in effect at the end of the year; income accounts, with exception of depreciation translated at historic rates, at the applicable rates during the year. The Company maintains a reserve for possible reduction of asset values occasioned by currency devaluations. No provision is made for U.S. income taxes on undistributed earnings of overseas subsidiaries since the Company intends to permanently reinvest that portion not remitted as dividends.

Provision for Credit Losses and Charge Off Policy

Provision for credit losses on Montgomery Ward's customer accounts is made to maintain adequate reserves to cover anticipated losses. Customer accounts are charged off against the reserve if no payment has been received for nine months or if notices are received of bankruptcy, fraud, death without estate or confinement to an institution.

Cost of Acquiring Subsidiary Companies in Excess of Their Book Value

Costs of acquiring subsidiary companies in excess of underlying book value of assets resulting from transactions prior to October 31, 1970 are not amortized. Such costs resulting from transactions after that date are amortized over 40 years unless the values are assigned to specific identifiable assets, in which case the period of amortization is the remaining life of the specific asset.

Retirement Plans

The provision charged to earnings each year is sufficient to cover the retirement plan normal cost and interest on the prior service liability. The assets held by the Retirement Fund Trustees plus accruals on the Company's books are maintained at such levels as to be sufficient to cover all vested benefits.

Financial Information

Sales increased 12.4% compared to a 6.9% increase in 1971.

Sales	(millions) 1972	(millions) 1971	Percent Increase
Merchandising (Montgomery Ward)	(52 weeks)	(52 weeks)	
Retail stores	$1,939	$1,724	12.5
Catalog	657	622	5.6
Other	44	31	41.9
	$2,640	$2,377	11.1
Packaging (Container Corporation)	(12 months)	(12 months)	
Domestic	$ 492	$ 431	14.2
Overseas	153	128	19.5
	$ 645	$ 559	15.4
Other (principally Hydro Conduit Corp.)	$ 84	$ 63	34.5
Total Sales	$3,369	$2,999	12.4

Net earnings increased 26.4% to $72,672,000. All major operations accomplished increases in 1972.

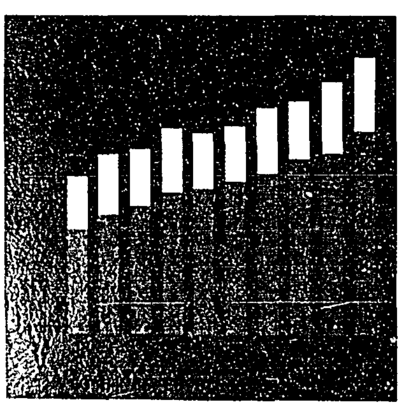
Marcor Net Earnings	(thousands) 1972	(thousands) 1971	Percent Increase
Merchandising (Montgomery Ward)	$49,469	$43,012	15.0
Packaging (Container Corporation)	33,576	24,165	38.9
Other (Hydro Conduit and Marcor Housing)	1,368	1,040	31.5
Net operating earnings	$84,413	$68,217	23.7
Less—Marcor interest expense	11,741	10,705	9.7
Net Earnings	$72,672	$57,512	26.4

Marcor quarterly earnings

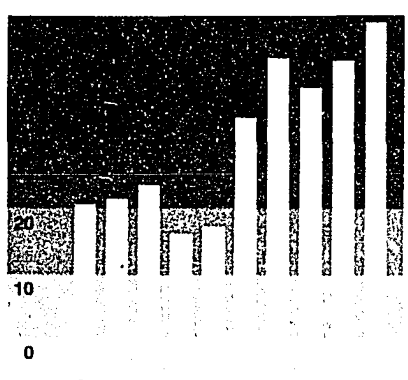
Unaudited Earnings By Quarter	Total Earnings (thousands)		Earnings Per Share (Fully Diluted)	
Quarter	1972	1971	1972	1971
1st	$11,737	$11,169	$ .29	$ .28
2nd	12,658	9,924	.31	.25
3rd	15,372	10,351	.38	.26
4th	32,905	26,068	.79	.63
Total Year	$72,672	$57,512	$1.77	$1.42

Montgomery Ward Total Sales: Retail Stores and Catalog

☐ Catalog Sales
■ Retail Sales

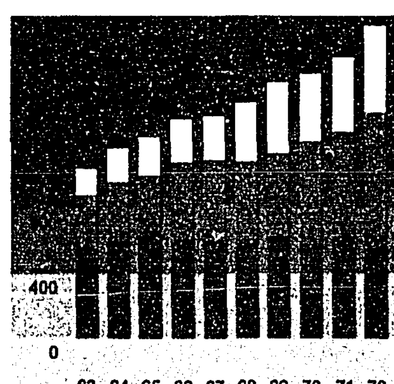


Montgomery Ward Net Operating Earnings



Montgomery Ward Retail Sales By Store Volume Categories

☐ Annual Sales Over $10 Million
■ Annual Sales Over $5 to $10 Million
■ Annual Sales Less than $5 Million



Overseas earnings of Container Corporation accounted for $0.24 and $0.19 per common share (fully diluted) in 1972 and 1971 respectively.

Summary of Overseas Operations	(thousands) 1972	(thousands) 1971
Net Assets	$103,647	$ 96,455
Represented by—		
Minority interest	$ 18,538	$ 16,685
Container's equity	85,109	79,770
Net Sales	$152,743	$128,142
Total Earnings	$ 13,084	$ 10,435
Container Corporation's Equity in Total Overseas Earnings	$ 10,234	$ 7,967

The 15.4% increase in Container Corporation sales was primarily in finished packaging and compared to a 6.1% increase in 1971.

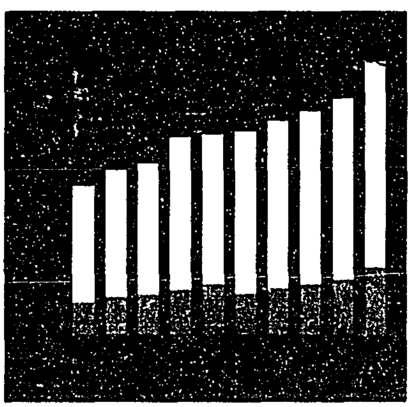
Container Corporation Sales	(millions) 1972	(millions) 1971	Percent of Total 1972	Percent of Total 1971
Shipping containers	$306	$255	47.4	45.6
Paperboard cartons	162	152	25.2	27.2
Other packaging	68	60	10.5	10.7
Total finished packaging	$536	$467	83.1	83.5
Paperboard and miscellaneous	109	92	16.9	16.5
Total Sales	$645	$559	100.0	100.0

Over 68.2% of Wards retail sales came from larger stores (over $5,000,000 volume) as compared to 64.3% in 1971.

Retail Stores (by annual volume)	1972 No. of Stores	1972 Sales (millions)	1971 No. of Stores	1971 Sales (millions)	Increase (Decrease) No. of Stores	Increase (Decrease) Sales (millions)
Over $10 million	38	$ 532	33	$ 446	5	$ 86
$5 to $10 million	116	791	100	663	16	128
Under $5 million	304	616	332	615	(28)	1
Totals	458	$1,939	465	$1,724	(7)	$215

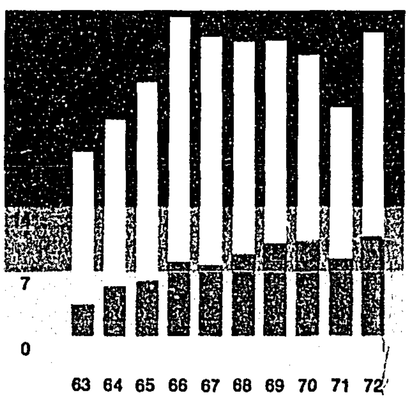
Container Corporation Sales: Domestic and Overseas

☐ Domestic
■ Overseas



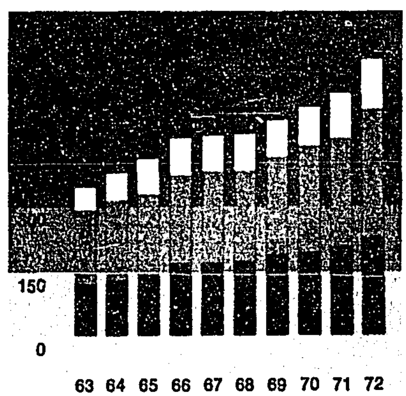
Container Corporation Net Operating Earnings

☐ Domestic
■ Overseas



Container Corporation Sales: By Product Categories

☐ Paperboard and Miscellaneous
■ Shipping Containers
■ Paperboard Cartons
■ Other Packaging



The 18 new retail stores opened by Wards during the year contributed $62,734,000 to sales.

Stores Opened and Closed	1972	1972	1971	1971
	No. of Stores	Square Feet of Selling Space	No. of Stores	Square Feet of Selling Space
New stores opened	18	1,380,000	22	1,828,000
Old stores closed	25	535,000	19	617,000

Ward's catalog sales agencies continue to increase.

The trend to catalog sales agencies rather than Company-owned catalog stores continued with agencies increasing from 1,014 in 1971 to 1,079 in 1972 and catalog stores decreasing from 644 to 590.

Ward's retail sales per square foot of selling space have increased in the stores built since the rebuilding program started in 1958.

Square feet of Selling Area (thousands)	1972	1971
New Stores (substantially all opened since 1958)—		
Open less than three years	4,552	4,391
Open three years or more	15,459	14,188
Old Stores (substantially all opened prior to 1938)	3,354	3,872
Total square feet	23,365	22,451
Sales per Selling Square Foot		
New Stores—		
Open less than three years*	$ 67	$ 61
Open three years or more	107	102
Old Stores	68	66
All Stores	$ 94	$ 87

*Calculation based on total selling square footage, even though only partial year's sales result in year of opening.

Included in sales per square foot are catalog orders processed through Company retail stores which are classified as catalog sales in the ten-year graph and the two-year table of Montgomery Ward's sales on page 30 in the amount of $252 million in 1972 and $240 million in 1971.

Earnings Per Share (fully diluted) increased 24.6% to $1.77 in 1972 from $1.42 in 1971. Primary earnings per share were $2.17 compared to $1.64 last year.

Earnings Per Share Calculation	Common and Common Equivalent Shares	Assuming Full Dilution
Average number of common shares outstanding	27,594,966	27,594,966
Common stock equivalents due to assumed exercise of options	170,715	202,209
Increase in average number of common shares assuming conversion of securities	—	14,854,450
Total Shares	27,765,681	42,651,625
Net earnings	$72,672,000	$72,672,000
Add—interest on convertible debentures less applicable taxes on income	—	2,628,000
Less—preferred dividend requirements based on average number of shares and equivalent shares outstanding during year	12,384,000	—
Net earnings used in per share calculations	$60,288,000	$75,300,000
Net Earnings Per Share	$2.17	$1.77

Common Stock

Common stock is $1.00 par value and 70,000,000 shares are authorized. At January 31, 1973 and 1972, shares issued were 28,187,904 and 27,670,759, respectively and 539,756 and 171,756 shares, respectively, were in the treasury.

Series A Convertible Preferred Stock

Each share of Series A preferred stock ($2.00 per share cumulative dividends) is convertible into two shares of common stock at any time and is callable after May 1, 1974 at $45.00 per share liquidating value. The aggregate liquidating value was $277,809,000 at January 31, 1973 and $277,170,000 at January 31, 1972. Preferred stock is $1.00 par value, issuable in series and 30,000,000 shares are authorized. At January 31, 1973 and 1972, 6,173,543 and 6,159,323 shares, respectively, were issued and outstanding.

Common Stock transactions during 1972.

Summary of Common Stock Transactions	Shares	Amount
Balance January 31, 1972 as previously reported	27,670,759	$237,975,000
Issued in connection with poolings of interest	207,000	490,000
Balance January 31, 1972 as restated	27,877,759	$238,465,000
Retired in connection with poolings of interest	(32,000)	(275,000)
Options exercised	226,620	3,096,000
Preferred shares converted to common shares	102,206	388,000
Restricted stock issued	13,319	348,000
Balance January 31, 1973	28,187,904	$242,022,000

A total of 50,920 shares of preferred stock and 16,326,098 shares of common stock was reserved as of January 31, 1973 for conversion of outstanding preferred stock and convertible debentures and for stock option plans.

Changes in treasury stock during 1972 included the issuance of 32,000 shares of common stock in connection with an acquisition and the purchase of 400,000 shares at an average cost of $22.68 per share for a pending acquisition and for company stock option plans.

Stock Option activity for the year

Summary of Stock Option Transactions	Common	Preferred
Options outstanding at beginning of year	801,290	116,318
Options granted during year	281,050	—
Options exercised during year	(226,620)	(65,323)
Options cancelled and expired during year	(26,400)	(75)
Options outstanding at end of year	829,320	50,920
Average option price of outstanding options	$25.71	$34.38
Average option price of options exercised during year	$13.66	$33.91
Options exercisable at January 31, 1973	380,267	50,920

Dividends

Dividends on common stock continued at an annual rate of $0.80 per share and totaled $22,036,000 during 1972. Preferred stock dividends, $2.00 per share, were $12,334,000 in 1972. Dividend payments represented 47.3% of Marcor net earnings.

Capital Expenditures totaled $151 million in 1972 compared with $173 million expended in 1971.

Montgomery Ward expenditures were primarily for continued expansion of the retail store program along with supporting facilities. Container Corporation expenditures included new shipping container plants in Wildwood, Fla. and Winston Salem, N.C. and various other smaller expansion projects. Capital expenditures for the last five years and the estimate for 1973 follow:

	Montgomery Ward	Container Corporation	Other Subsidiaries	Marcor Consolidated
		(thousands)		
1973 Estimate (unaudited)	$80,000	$75,000	$ 4,000	$159,000
1972	92,400	40,595	17,600	150,595
1971	97,770	64,139	11,477	173,386
1970	72,998	79,844	6,929	159,771
1969	55,060	73,529	7,739	136,328
1968	36,774	46,322	16,626	99,722

Non-cash charges

Depreciation, amortization and deferred income taxes provided $107 million of cash flow which, along with retained earnings, provided $129 million of the funds for capital expenditures. The balance of the requirements was met by additional financing.

Effective federal, state and overseas income tax rates were 45.0% for 1972 and 43.1% for 1971 of earnings before taxes on income.

Reconciliation of Effective Rates to Statutory Federal (48%) Rate	1972 Amount (thousands)	1972 Effective Rate (%)	1971 Amount (thousands)	1971 Effective Rate (%)
At statutory (48%) rate	$63,385	48.0	$48,497	48.0
Investment tax credit	(4,741)	(3.6)	(4,772)	(4.7)
Lower tax rates on foreign operations	(931)	(.7)	(831)	(.8)
State taxes on income less applicable federal taxes	2,256	1.7	909	.9
All other—net	(589)	(.4)	(280)	(.3)
Provision for Taxes on Income	$59,380	45.0	$43,523	43.1

Provision for Taxes on Income

Current and Deferred Taxes	(thousands) 1972	(thousands) 1971	Percent Increase
Federal and overseas taxes on income:			
Currently payable	$13,510	$12,679	6.6
Deferred	41,530	29,095	42.7
	$55,040	$41,774	31.8
State income taxes (principally current)	4,340	1,749	148.1
Total	$59,380	$43,523	36.4

Internal Revenue Service Examination

The Internal Revenue Service has indicated it will propose adjustments to the consolidated Federal income tax returns of Marcor Inc. for the years 1968, 1969 and 1970 relating to the method of computing the amount of gross profit which may be deferred under the installment method for tax purposes. The Company's estimate of the assessment to be proposed is $35,000,000 and any additional tax will be charged against the existing reserve for deferred taxes of $232,000,000 relating to installment receivables. The effect on earnings would be minimal since the tax has previously been provided. The Company will contest the proposed adjustments, and in the Company's opinion the ultimate assessment will be materially less than initially proposed.

U.S. Taxes on Undistributed Overseas Earnings

U.S. income taxes are provided on dividends received from overseas subsidiaries. During the past three years dividends have averaged 50% of the earnings of those subsidiaries. As of January 31, 1973, the undistributed earnings of overseas subsidiaries was $53,887,000, for which no provision for foreign withholding or U.S. income tax has been made as this amount has been reinvested in properties, equipment and working capital.

Ward's credit sales increased to 51.4% of total sales in 1972 from 49.1% in 1971.

Wards has three types of credit accounts: Charg-All Accounts, Charg-All Plus Accounts, and Time Payment Accounts. The Charg-All Accounts and Charg-All Plus Accounts are open end accounts requiring monthly payments in prescribed amounts based on the outstanding balance, with no finance charge if paid within 30 days. The customer's monthly payment is usually not reduced as the balance is liquidated. Charg-All accounts may be used for any purchases and are basically 24 month maturity, with terms ranging to 36 months in the higher balances. Charg-All Plus Accounts are used for major purchases with payment schedules up to 36 months. After making the Charg-All Plus Plan available to its customers in 1969, Wards began limiting its Time Payment Plan used for large purchases where the customer executes a retail installment contract and payment schedules range from 24 to 60 months.

Ward's credit accounts and average balances

During 1972 the number of active accounts increased 2.6% to 5,400,000. Active accounts are those with a balance. The average balance of all credit accounts was $226 at the end of 1972 and $203 at the end of 1971. All credit accounts had an average maturity of 18 months in 1972 and monthly collections averaged 10.5% per month of the outstanding customer accounts receivable.

Ward's delinquency and credit loss experience improved.

At the end of 1972, accounts on which one full monthly payment had not been received during a period from two to eight months totaled 4.1% of the total outstanding balances for all accounts. This compares with delinquency of 4.8% at the end of 1971. Net charge offs (as defined on page 29 in Major Accounting Policies) decreased from $28 million in 1971 to $22 million in 1972 and were 2.0% of the average receivable balance in 1972 compared with 2.7% in 1971.

Financing Ward's credit sales

To finance credit sales Montgomery Ward sells customer accounts to Montgomery Ward Credit Corporation without recourse. The Credit Corporation periodically charges an agreed discount on the unpaid balances of these accounts. The discount rate, which may be changed from time to time by mutual agreement, is currently designed to produce an income of 1½ times fixed charges on the Credit Corporation's debt. At the time of purchase the Credit Corporation withholds 5% of the amount remaining to be paid by customers to cover credit losses.

Accounts Receivable increased $271 million to $1.4 billion. This amount includes accounts held by the Credit Corporation.

Accounts Receivable in Consolidated Balance Sheet	(thousands) January 31, 1973	(thousands) January 31, 1972
Customer credit receivables:		
Time Payment	$ 11,816	$ 19,508
Charg-All and Charg-All Plus	1,220,028	975,671
Other	235,664	195,495
Total	$1,467,508	$1,190,674
Less:		
Reserves for uncollectible accounts and unearned service charges	(39,821)	(33,780)
Accounts sold to credit subsidiary	(1,158,031)	(890,043)
Receivables, less reserves	$ 269,656	$ 266,851

Customer Credit Operations of Montgomery Ward reported a return of ½ of 1% on average outstanding customer accounts receivable balances.

Customer Credit Operating Results	(thousands) 1972	(thousands) 1971
Service charges	$170,672	$168,474
Expenses:		
Payroll	$ 39,859	$ 38,633
Provision for uncollectible accounts	27,846	27,104
All other credit and collection expenses	44,620	40,431
Interest, computed as stated below	48,097	48,140
Federal taxes on income	4,920	6,800
Total Expenses	$165,342	$161,108
Excess of service charges over expenses	$ 5,330	$ 7,366

Allocation of interest to the customer credit operation was made using (a) the average rate of interest incurred during each year (5.41% in 1972 and 5.60% in 1971) and (b) the average total customer accounts receivable less deferred federal income taxes applicable to installment receivables. Service charges are credited against operating expenses in the statement of earnings.

Credit Litigation

A number of pending lawsuits against Montgomery Ward and against other retailers, some of which purport to be brought as class actions, attack under federal and state laws the legality of certain credit and billing practices. The relief requested in these lawsuits includes: refunds of finance charges and certain taxes collected during periods dating back to 1964; refunds of principal balances collected since 1968; statutory penalties under state laws and the federal Truth-in-Lending Act; injunctive relief requiring changes in the challenged practices; relief preventing the collection of outstanding balances; and costs, including reasonable attorney's fees. The ultimate liability to the Company under the lawsuits against Montgomery Ward is not presently determinable, but such suits could, over a period of time, involve millions of dollars if they should be decided adversely. However, the management of the Company does not anticipate that the ultimate disposition of these lawsuits will have a material adverse effect on the business or the financial position of the Company.

Montgomery Ward Credit Corporation's Earnings were $12.9 million compared to $13.0 million in 1971.

Gross Income (consisting principally of discount on receivables purchased from Wards) of the Credit Corporation in 1972 was $73.8 million compared to $74.9 million in 1971. Interest expense was $48.3 million as compared to $49.2 million in 1971. The pre-tax earnings of the Credit Corporation are included in the consolidated statement of earnings as a reduction of interest expense and the provision for taxes on income is included in the consolidated provision. The Credit Corporation had lines of credit with banks totaling $567,000,000 to support the commercial paper outstanding which amounted to $571,000,000 at year end. The average interest rate on commercial paper of the Credit Corporation outstanding during 1972 was 4.53% compared with 4.80% in 1971. A separate annual report for the Credit Corporation is available upon request.

Montgomery Ward Credit Corporation condensed Balance Sheet

Balance Sheet	(millions) January 31, 1973	(millions) February 2, 1972
Assets		
Customers' receivables purchased from Montgomery Ward & Co., Incorporated without recourse, less portion withheld pending collection	$1,158.0	$890.0
Marketable securities	—	78.8
Due from Montgomery Ward	—	7.0
Cash	12.0	11.5
Other assets	3.2	3.1
Total Assets	$1,173.2	$990.4
Liabilities		
Notes payable and current portion of long-term debt	$ 612.1	$429.3
Accrued taxes and expenses	9.5	7.4
Long-term debt	360.0	395.0
Equity of Montgomery Ward	191.6	158.7
Total Liabilities and Equity	$1,173.2	$990.4

Long-Term Debt—Credit Corporation

Long-term debt of the Credit Corporation includes term notes and debentures with interest rates varying from 4¾% to 9¼%. The term notes totaling $40,000,000 mature in seven years and the debentures totaling $320,000,000 mature between 1980 and 1990 in amounts ranging from $50,000,000 to $60,000,000 per year. Neither Montgomery Ward nor Marcor guarantees obligations of the Credit Corporation.

Long-term debt, excluding that of the Credit Corporation

Long-Term Debt Summary	(thousands) January 31, 1973	(thousands) January 31, 1972
Marcor Inc.—		
6½% Subordinated Instalment Debentures due 1988	$269,302	$269,302
5% Convertible Subordinated Debentures due 1996	100,000	100,000
Container Corporation of America and Subsidiaries—		
Sinking Fund Debentures due from 1980 to 1993 bearing interest from 3.30% to 6⅝%	61,592	66,429
Lease obligations, average interest rate of 5¾%	65,026	50,356
Other	25,057	28,117
Montgomery Ward & Co., Incorporated—		
Sinking Fund Debentures due from 1982 to 1990 bearing interest from 4⅞% to 6%	138,685	139,761
Other	4,029	3,845
Montgomery Ward Real Estate Subsidiaries—		
Secured Notes due serially to 1999 bearing interest from 4¾% to 8½%	62,496	63,918
Other Subsidiaries—		
Various Notes and Debentures maturing over the next twenty years	9,849	4,836
Total long-term debt	$736,036	$726,564

Long-term debt payment requirements, excluding $11,589,000 due in 1973, are as follows:		(thousands)
	1974	$ 10,375
	1975	20,598
	1976	21,935
	1977	17,138
	1978-1982	94,879
	1983-1987	138,795
	1988-1992	309,876
	1993-1997	118,504
	After 1997	3,936
Total long-term debt		$736,036

Interest expense was $87,040,000 in 1972 compared to $85,749,000 in 1971.

Interest Expense	(thousands) 1972	(thousands) 1971
Interest on long-term debt	$ 43,526	$ 41,385
Discount on customer receivables sold, principally to Montgomery Ward Credit Corporation	71,595	69,191
Interest on advances from Credit Corporation	2,961	10,283
	$118,082	$120,859
Less:		
Income before income taxes of Montgomery Ward Credit Corporation	(24,782)	(25,006)
Capitalized interest on construction in progress	(2,332)	(3,748)
Miscellaneous interest income, net	(3,928)	(6,356)
Total interest cost	$ 87,040	$ 85,749

Indenture Provisions

Under the indentures covering the long-term indebtedness of the Company none of its Earnings Reinvested is restricted as to the payment of dividends. The indentures covering the long-term indebtedness of the Company's consolidated subsidiaries contain provisions which restrict the amount of dividends these subsidiaries may pay to the Company. Under the most restrictive of these provisions, $192,294,000 of Earnings Reinvested of these subsidiaries was available at January 31, 1973 for payment of dividends.

Lease obligations

Lease obligations of Marcor subsidiaries, which have not been capitalized, under real estate leases in effect on January 31, 1973 and expiring more than three years thereafter provide for present minimum annual rental payments by these subsidiaries aggregating approximately $46,000,000. In certain instances additional amounts are due, such as real estate taxes and additional rent based upon percentage of sales. The majority of these leases expires by 1995. As of January 31, 1973, approximately $314,000,000 was the present value, when discounted, of the future minimum rental obligations under real estate and personal property leases having original terms of more than three years, excluding estimated obligations for property taxes and other expenses relating to the maintenance of the leased properties.

Retirement Plans

Retirement plans of a contributory nature cover a majority of all regular full-time employees of Marcor and its subsidiaries. The total cost provided applicable to these plans, including interest on unfunded prior service, was $11,925,000 for 1972 and $8,979,000 for 1971. The retirement plan accruals, together with assets held by retirement fund trustees, were sufficient to cover all vested benefits. The subsidiaries fund the retirement plans on a discretionary basis.

Investments and Other Assets

Summary of Investments and Other Assets	(thousands) January 31, 1973	(thousands) January 31, 1972
Unconsolidated subsidiaries:		
Montgomery Ward Credit Corporation	$191,624	$158,748
Pioneer Trust & Savings Bank	25,905	24,710
Montgomery Ward Life Insurance Company	9,097	7,405
Other	1,832	1,913
Total	$228,458	$192,776
T. R. Miller Mill Co. (49% interest)	17,972	17,804
Other assets	28,697	5,870
Total investments and other assets	$275,127	$216,450

The excess of cost of these investments over underlying book value at dates of acquisition was $7,557,000 at January 31, 1973 and 1972.

Pioneer Trust & Savings Bank

Pioneer earnings are included in the consolidated earnings and accounted for $3,150,000 in 1972 and $2,992,000 in 1971. The Company has agreed to divest itself of the Bank within ten years from January 1, 1971 in order to comply with the Bank Holding Company Act unless an exemption can be obtained. Pioneer is a Ward subsidiary.

The Montgomery Ward Life Insurance Company

Ward Life's premium income for 1972 increased to $17.2 million from $12.1 million in 1971. The contribution to Wards and Marcor consolidated earnings was $1,691,000 in 1972 and $535,000 in 1971.

Other Ward's Subsidiaries (Consolidated)

Net income of Marcor and Wards includes $2,422,000 in 1972 and $1,353,000 in 1971 from Commercial Trades Institute, Ward's educational subsidiary, and Putsch's, Inc. and Sign of the Beefeater, Ward's restaurant subsidiaries.

T. R. Miller Mill Co.

T. R. Miller Mill Co. contributed $294,000 to Container Corporation and Marcor earnings as compared to $130,000 for 1971.

Hydro Conduit Corporation

Hydro, a consolidated Marcor subsidiary, earned $2,549,000 in 1972 compared to $1,177,000 in 1971. Higher sales levels for large diameter concrete pipe used for water, sewage and storm drainage purposes were responsible and resulted from increased funding at federal, state and local municipal levels.

Marcor Housing Systems, Inc.

Marcor Housing, a consolidated Marcor subsidiary, incurred a net loss of $1,180,000. This loss includes a provision of a $1,000,000 reserve (before tax effect) against initial development costs.

Acquisitions

Acquisitions during 1972 were the Sign of the Beefeater restaurants in Detroit, a seven-unit chain which became part of the Wards Food Services Division; National Notions, Inc. of Dallas, Texas which became part of Wards small ticket distribution system; and the operating assets of a concrete pipe operation in Houston, Texas by Hydro Conduit Corporation. Total consideration for these acquisitions approximated $7.3 million. The acquisitions did not have a significant effect on sales or earnings of the Company during the year. The Beefeater and National Notions acquisitions were treated as poolings of interest and prior year's financial statements have not been restated for these acquisitions since the change would not be material. The Houston pipe acquisition was treated as a purchase.

Merger with Jefferson Stores, Inc.

A merger with Jefferson, a seven-store general merchandise chain in Miami, Florida is expected to be completed in April or May, 1973. The Company will issue 350,900 shares of common stock in connection with the merger. Jefferson incurred a net loss of $586,000 in its fiscal year ending September 30, 1972 and reported a net profit of $536,000 for the first quarter of its fiscal year ending September 30, 1973. The Jefferson acquisition will be accounted for as a purchase.

Auditors' Report

To the Stockholders and Board of Directors of Marcor Inc.:

We have examined the balance sheet of Marcor Inc. (a Delaware Corporation) and consolidated subsidiaries as of January 31, 1973 and the related statements of earnings, earnings reinvested and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, the accompanying financial statements referred to above present fairly the financial position of Marcor Inc. and consolidated subsidiaries as of January 31, 1973, and the results of their operations and the changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.

Arthur Andersen & Co.
Chicago, Illinois,
March 16, 1973

Statements of Earnings and Earnings Reinvested

Marcor Inc. and
Consolidated Subsidiaries

Statement of Earnings Fiscal Years Ended January 31,	1973	1972
Net Sales	$3,369,321,000	$2,998,577,000
Costs and Expenses:		
Cost of goods sold	$2,429,408,000	$2,178,869,000
Operating, selling, administrative and research expenses	720,821,000	632,924,000
Interest expense	87,040,000	85,749,000
Total Costs and Expenses	$3,237,269,000	$2,897,542,000
Earnings before Taxes on Income	$ 132,052,000	$ 101,035,000
Provision for Taxes on Income	59,380,000	43,523,000
Net Earnings	$ 72,672,000	$ 57,512,000
Net Earnings Per Common Share and Common Equivalent Share	$2.17	$1.64
Net Earnings Per Common Share Assuming Full Dilution	$1.77	$1.42

Note. Provision for state income taxes, which had previously been included in costs and expenses, has been reclassified to provision for taxes on income.

Statement of Earnings Reinvested Fiscal Years Ended January 31,	1973	1972
Balance at Beginning of Year as Previously Reported	$ 641,399,000	$ 628,649,000
Earnings reinvested of companies acquired through poolings of interest	1,147,000	1,461,000
Adjustment to reflect deferral of service contract income less applicable taxes on income of $8,888,000	—	(9,629,000)
Balance at Beginning of Year as Restated	$ 642,546,000	$ 620,481,000
Net Earnings	72,672,000	57,512,000
Total	$ 715,218,000	$ 677,993,000
Cash Dividends:		
Preferred stock ($2.00 per share)	$ 12,334,000	$ 12,737,000
Common stock ($.80 per share)	22,036,000	21,413,000
Total Dividends	$ 34,370,000	$ 34,150,000
Excess of Cost Over Stated Value of Treasury Common Shares Retired	626,000	2,444,000
Total	$ 34,996,000	$ 36,594,000
Balance at End of Year	$ 680,222,000	$ 641,399,000

Statement of Changes in Financial Position

Marcor Inc. and
Consolidated Subsidiaries

	Fiscal Years Ended January 31,	1973	1972
Source of Funds:	Net earnings	$ 72,672,000	$ 57,512,000
Operations	Depreciation, amortization and cost of timber harvested	71,462,000	63,747,000
	Deferred federal taxes on income	35,632,000	27,074,000
	Dividends received from unconsolidated subsidiaries in excess of (less than) their current year's earnings	(15,989,000)	10,448,000
	Total provided from operations	$163,777,000	$158,781,000
Other	Proceeds from stock options exercised	5,311,000	7,334,000
	Long-term financing	27,659,000	139,079,000
	Sale of property (principally sale-leasebacks)	85,669,000	4,112,000
	Increase in accounts payable and accrued expenses	72,293,000	90,047,000
	Increase (decrease) in taxes on income currently payable	410,000	(13,476,000)
	Decrease (increase) in prepaid expense	12,176,000	(2,065,000)
	Other, net	7,778,000	(8,550,000)
	Total sources of funds	$375,073,000	$375,262,000
Disposition of Funds	Property additions and improvements	$150,595,000	$173,386,000
	Reduction of long-term debt	18,187,000	40,365,000
	Purchase of treasury common stock	9,071,000	—
	Decrease in notes payable to credit subsidiary	7,000,000	321,400,000
	Cash dividends	34,370,000	34,150,000
	Increase in inventories	79,211,000	31,384,000
	Increase (decrease) in receivables	43,805,000	(44,253,000)
	Increase (decrease) in investments and other assets	42,688,000	(3,675,000)
	Total disposition of funds	$384,927,000	$552,757,000
Decrease in cash and marketable securities		$ 9,854,000	$ 177,495,000

The Statement of Major Accounting Policies and the Financial Information on pages 28 through 39, 44 and 45 are an integral part of these statements

Balance Sheet

Marcor Inc. and
Consolidated Subsidiaries

Assets		January 31, 1973	January 31, 1972
Current Assets	Cash	$ 35,069,000	$ 33,498,000
	Marketable securities, at cost which approximates market	26,253,000	37,678,000
	Receivables, less reserves	269,656,000	266,851,000
	Notes receivable from Montgomery Ward Credit Corporation	41,000,000	—
	Inventories, at the lower of cost or market	709,115,000	629,904,000
	Prepaid expenses	58,663,000	70,839,000
	Total Current Assets	$1,139,756,000	$1,038,770,000
Other Assets	Investments and other assets	$ 275,127,000	$ 216,450,000
Properties and Equipment, at cost	Land	$ 84,472,000	$ 92,890,000
	Timberlands, less cost of timber harvested	53,661,000	53,843,000
	Buildings	453,732,000	458,513,000
	Leasehold improvements	65,148,000	66,925,000
	Machinery, fixtures and equipment	821,026,000	768,800,000
		$1,478,039,000	$1,440,971,000
	Less—Accumulated depreciation and amortization	547,395,000	503,791,000
	Properties and Equipment, Net	$ 930,644,000	$ 937,180,000
Financing Costs	Unamortized financing costs	$ 4,764,000	$ 4,794,000
Acquisition Cost in Excess of Book Value	Excess of cost of acquired subsidiaries over underlying book value at dates of acquisition	$ 172,658,000	$ 173,608,000
	Total Assets	$2,522,949,000	$2,370,802,000

Liabilities		January 31, 1973	January 31, 1972
Current Liabilities	Short-term loans and current portion of long-term debt	$ 26,465,000	$ 23,504,000
	Notes payable to Montgomery Ward Credit Corporation	—	7,000,000
	Accounts payable and accrued expenses	523,563,000	451,270,000
	Federal taxes on income—Currently payable	4,051,000	3,641,000
	—Deferred (primarily relating to installment receivables)	181,258,000	153,229,000
	Total Current Liabilities	$ 735,337,000	$ 638,644,000
Deferred Federal Taxes	Deferred taxes on income (relating to accelerated depreciation)	$ 75,824,000	$ 68,221,000
Long-term Debt, less amounts due within one year	Senior indebtedness	$ 365,954,000	$ 356,352,000
	Subordinated indebtedness	270,082,000	270,212,000
	Convertible subordinated indebtedness	100,000,000	100,000,000
	Total Long-term Debt	$ 736,036,000	$ 726,564,000
Minority Interest	Minority interest in subsidiaries	$ 18,538,000	$ 16,685,000
Stockholders' Equity	Preferred stock at stated value	$ 47,977,000	$ 46,150,000
	Common stock at stated value	242,022,000	237,975,000
	Earnings reinvested	680,222,000	641,399,000
		$ 970,221,000	$ 925,524,000
	Less—Treasury common stock, at cost	13,007,000	4,836,000
	Total Stockholders' Equity	$ 957,214,000	$ 920,688,000
	Total Liabilities and Stockholders' Equity	$2,522,949,000	$2,370,802,000

The Statement of Major Accounting Policies and the Financial Information on pages 28 through 39, 44 and 45 are an integral part of these statements.

Condensed Financial Statements

Principal Subsidiaries of Marcor Inc.

Statement of Earnings	Montgomery Ward & Co., Incorporated and Consolidated Subsidiaries	52-Week Period Ended January 31, 1973	February 2, 1972
Net Sales		$ 2,640,122,000	$ 2,376,993,000
Costs and Expenses:			
Costs of products and merchandise sold		$ 1,843,509,000	$ 1,670,164,000
Operating, selling, administrative and research expenses		654,412,000	574,412,000
Interest expense		51,984,000	53,973,000
Total costs and expenses		$ 2,549,905,000	$ 2,298,549,000
Operating Earnings before Taxes on Income		$ 90,217,000	$ 78,444,000
Provision for Taxes on Income		40,748,000	35,432,000
Net Earnings before Parent Company Interest Charges		$ 49,469,000	$ 43,012,000
Interest Expenses Allocated from Parent Company, less applicable taxes on income		7,184,000	6,148,000
Net Earnings		$ 42,285,000	$ 36,864,000
Note: Depreciation and amortization included in costs and expenses		$ 32,298,000	$ 29,677,000

Statement of Earnings	Container Corporation of America and Consolidated Subsidiaries	Fiscal Year Ended January 31, 1973	January 31, 1972
Net Sales		$ 644,733,000	$ 558,783,000
Costs and Expenses:			
Costs of products and merchandise sold		$ 515,498,000	$ 457,000,000
Operating, selling, administrative and research expenses		56,456,000	51,103,000
Interest expense		10,671,000	9,451,000
Total costs and expenses		$ 582,625,000	$ 517,554,000
Operating Earnings before Taxes on Income		$ 62,108,000	$ 41,229,000
Provision for Taxes on Income		28,532,000	17,064,000
Net Earnings before Parent Company Interest Charges		$ 33,576,000	$ 24,165,000
Interest Expenses Allocated from Parent Company, less applicable taxes on income		4,557,000	4,557,000
Net Earnings		$ 29,019,000	$ 19,608,000
Note: Depreciation, amortization and cost of timber harvested included in costs and expenses		$ 35,113,000	$ 30,189,000

Provisions for state income taxes for both companies, which had previously been included in costs and expenses, have been reclassified to provision for taxes on income.

Balance Sheets	Montgomery Ward & Co., Incorporated and Consolidated Subsidiaries		Container Corporation of America and Consolidated Subsidiaries	
Assets	January 31, 1973	February 2, 1972	January 31, 1973	January 31, 1972
Current Assets:				
Cash	$ 31,247,000	$ 25,996,000	$ 2,792,000	$ 6,516,000
Marketable securities	12,691,000	30,044,000	13,515,000	7,634,000
Receivables, net	174,258,000	188,125,000	82,100,000	67,566,000
Advances to affiliates	45,500,000	40,372,000	—	—
Inventories	627,347,000	554,143,000	72,584,000	67,439,000
Prepaid expenses	41,882,000	51,414,000	14,914,000	15,491,000
Total Current Assets	$ 932,925,000	$ 890,094,000	$185,905,000	$164,646,000
Investments and Other Assets	298,862,000	227,384,000	20,438,000	20,707,000
Properties and Equipment, net	460,038,000	481,854,000	416,612,000	413,777,000
Unamortized Financing Costs	1,747,000	1,875,000	1,460,000	1,288,000
Excess of Cost of Acquired Subsidiaries Over Underlying Book Value at Dates of Acquisition	1,250,000	2,855,000	6,605,000	6,605,000
Total Assets	$1,694,822,000	$1,604,062,000	$631,020,000	$607,023,000

Liabilities				
Current Liabilities:				
Payable to affiliates	$ 2,557,000	$ 7,000,000	$ 4,500,000	$ 44,079,000
Short-term loans and current portion of long-term debt	3,297,000	3,437,000	21,650,000	17,126,000
Deferred taxes on income (primarily relating to installment receivables)	168,954,000	142,876,000	—	—
Other current liabilities	428,829,000	377,293,000	90,838,000	71,579,000
Total Current Liabilities	$ 603,637,000	$ 530,606,000	$116,988,000	$132,784,000
Deferred Taxes on Income	37,481,000	34,115,000	26,694,000	26,172,000
Long-term Debt	205,210,000	207,524,000	165,675,000	144,903,000
Minority Interest in Subsidiaries	—	—	18,538,000	16,685,000
Equity of Marcor Inc.	848,494,000	831,817,000	303,125,000	286,479,000
Total Liabilities and Equity	$1,694,822,000	$1,604,062,000	$631,020,000	$607,023,000

Marcor Inc. Ten-Year Statistical Summary

	($000 omitted)	1972	1971
Operations	Net sales	$ 3,369,321	$ 2,998,577
	Net earnings (1)	72,672	57,512
	Taxes on income (including all subsidiaries) (1) (3)	59,380	43,523
	Dividends (1)	34,370	34,150
	Additions to properties and equipment	150,595	173,386
	Depreciation and amortization	71,462	63,747
Financial Position	Working capital (after intercompany adjustments)		
	Parent and consolidated subsidiaries	$ 363,419	$ 407,126
	Credit subsidiary	590,110	544,036
	Accounts receivable (after intercompany adjustments)		
	Parent and consolidated subsidiaries	269,656	266,851
	Credit subsidiary	1,158,031	890,043
	Inventories	709,115	629,904
	Net investment in properties and equipment	930,644	937,180
	Long-term debt—		
	Parent and consolidated subsidiaries		
	Senior indebtedness	365,954	356,352
	Subordinated indebtedness	270,082	270,212
	Convertible subordinated indebtedness	100,000	100,000
	Credit subsidiary		
	Senior indebtedness	335,000	370,000
	Subordinated indebtedness	25,000	25,000
Stockholders' Interest	Stockholders' equity (1)	$ 957,214	$ 920,688
	Investment per common share		
	(book value of shares outstanding at end of year) (2)	24.58	23.38
	Earnings per common share and common		
	equivalent share (2)	2.17	1.64
	Earnings per common share assuming full dilution (2)	1.77	1.42
	Shares outstanding—		
	Preferred (pro forma prior to 1968)	6,173,543	6,159,323
	Common (2)	27,548,148	27,399,003
	Number of stockholders	75,412	77,037

(1) Amounts prior to November 1, 1968 have been reduced by the portions applicable to Container Corporation shares exchanged for debentures at that date.
(2) Adjusted for two-for-one stock split June 9, 1970.
(3) In 1972 the Company began including state income taxes in the provision for taxes on income on its Statement of Earnings. Prior year amounts have been restated for comparative purposes.

1970	1969	1968	1967	1966	1965	1964	1963
$ 2,804,856	$ 2,715,150	$ 2,500,705	$ 2,352,293	$ 2,354,488	$ 2,154,049	$ 2,087,966	$ 1,856,926
59,637	66,950	53,810	37,443	36,699	40,050	35,501	32,062
54,339	63,637	53,282	29,521	27,772	31,643	29,252	29,335
31,788	25,701	25,265	22,131	21,803	21,215	20,171	19,907
159,771	136,328	99,722	95,945	101,898	104,743	103,396	110,638
54,118	50,226	47,432	45,417	41,651	37,606	34,496	29,178
$ 690,973	$ 481,081	$ 452,662	$ 476,937	$ 462,268	$ 479,619	$ 381,737	$ 435,145
184,448	388,493	390,122	301,702	249,574	285,489	277,119	185,555
311,104	324,940	226,676	237,043	257,480	214,237	128,307	91,676
709,954	851,470	821,147	663,305	621,995	661,555	624,746	515,708
598,520	530,819	499,448	447,955	457,120	445,173	390,917	364,683
831,653	750,355	706,479	602,274	580,456	523,434	461,799	400,426
357,508	382,038	368,734	294,898	270,082	259,215	113,631	91,139
270,342	270,472	274,181	4,950	—	—	—	—
—	—	—	—	—	—	—	—
320,000	248,750	235,000	175,000	125,000	125,000	125,000	75,000
25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
$ 896,015	$ 859,347	$ 817,615	$ 791,675	$ 777,544	$ 762,851	$ 742,972	$ 725,355
23.00	22.07	20.62	19.71	19.09	18.52	17.81	17.35
1.77	2.09	1.57	.93	.90	1.02	.84	.70
1.50	1.72	1.36	.93	.90	1.01	.84	.70
6,466,452	6,558,072	6,612,352	6,566,049	6,597,704	6,598,680	6,552,414	6,428,648
26,161,154	25,502,528	25,226,784	25,173,114	25,173,114	25,162,844	25,157,624	25,138,304
80,585	80,862	88,248	104,661	104,456	102,902	108,079	113,099

Committees of the Board of Directors

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Marcor

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Chairman, Executive Committee
Marcor and Montgomery Ward

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President and Chief Executive Officer
Illinois Bell Telephone Co.

Thomas F. Cass
Group Executive Vice President
Container Corporation

Frederick S. Crysler
Executive Vice President-Administration
Container Corporation

Edward S. Donnell
President
Marcor and Montgomery Ward

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President, Chairman, Chief Executive Officer
Pennwalt Corporation
Philadelphia, Pennsylvania

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Continental Illinois National Bank &
Trust Company of Chicago

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Lehman Brothers, New York

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A C Nielsen Company

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Container Corporation

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Vice President-Finance
Marcor and Montgomery Ward

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Vice President
Organization Policy and Planning

Peter T. Jones
Vice President
Legal and Government Affairs

Patrick J. Head
Vice President
Washington Office

Richard S. Kelly
Secretary and General Counsel

*Also Director of Montgomery Ward and Container Corporation
**Also Director of Montgomery Ward

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Henry G. Van der Eb

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Leo H. Schoenhofen
(Ex Officio)

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Charles L. Brown
Gaylord Freeman
Arthur C. Nielsen, Jr.

Restricted Stock, Stock Equivalent, Stock Price Plan, and Stock Option Plan Committees

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Chairman
William P. Drake
Daniel M. Galbreath

Common Stock

Transfer Agents
Morgan Guaranty Trust Company
of New York
New York, N.Y.

The Northern Trust Company
Chicago, Ill.

Registrars
Morgan Guaranty Trust Company
of New York
New York, N.Y.

The First National Bank of Chicago, Ill.

Preferred Stock

Transfer Agents
First National City Bank
New York, N.Y.

Harris Trust & Savings Bank
Chicago, Ill.

Registrars
Chemical Bank
New York, N.Y.

Continental Illinois National Bank
& Trust Company of Chicago
Chicago, Ill.

6½% Subordinated Instalment Debentures

Trustee
Continental Illinois National Bank
& Trust Company of Chicago
Chicago, Ill.

5% Convertible Subordinated Debentures

Trustee
The Northern Trust Company
Chicago, Ill.

Montgomery Ward

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James Lutz
Sidney A. McKnight

Vice Presidents
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Robert M. Elliott
John D. Foster
Robert M. Harrell
Peter T. Jones
John A. Marchese
Martin D. Munger
Frederick H. Veach
Charles W. Wagner
Gordon R. Worley

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Reuben W. Berry
Ashley D. DeShazor
Chett A. Eckman
Robert V. Guelich
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Patrick J. Head
Dean R. Lewis
Phillip I. Lifschultz
Herman A. Nater
Richard C. Scheidt
Curtis L. Ward

Treasurer
Harold E. Sortor

Assistant Vice Presidents
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Edward A. Malone
Rita A. Perna
William J. Schroeder
William J. Sinkula
John B. Stark

Assistant Treasurers
Bruce B. Gobeyn
James C. Morton
Lawrence A. Ward

Assistant Secretaries
Mark C. Curran
Hugh C. Johnson
James G. McWaters
Joseph R. Petr
Robert K. Scott
Irwin J. Shapiro
William A. Voss

Container Corporation of America

Directors and Officers

President, Chief Executive Officer
Henry G. Van der Eb

Group Executive Vice Presidents
R. Harper Brown
Thomas F. Cass

Executive Vice President
Frederick S. Crysler

Senior Vice Presidents
Harry E. Green
Donn O. Jennings
Everett G. Temple
William B. Whiting

Vice President
Paul W. Guenzel

Other Officers

Senior Vice President
William E. Mastbaum

Vice Presidents
Richard C. Bittenbender
Colin C. Handlon
Robert E. Feltes
Richard S. Kelly
William P. Peters
Lloyd E. Williams

Divisional Vice Presidents

Shipping Container Division
Albert L. Ahlers
Lewis M. Cutter
Macon M. Dalton
Everett O. Jones
Frank G. Jones
Joseph F. Kilcullen
David F. Reynolds
Richard C. Winkler

Folding Carton Division
Albert A. Austin
Morton H. Robinson
J. Donald Scott
Jack D. Tovin

Overseas Division
William H. Richards
Stanley B. Tamkin
David C. Whitehouse

Composite Can Division
Thomas L. Benson, Jr.

Paperboard Mill Division
R. William Erskine

Plastics Division
Jerome S. Heisler

Controller
H. Woodward Johnson, Jr.

Treasurer
James F. Oates

Secretary
Edward K. Meier

Assistant Corporate Controller
William P. Lee

Assistant Treasurer
John J. Egan

Assistant Secretaries
Joseph B. Higgs
Richard W. Carpenter

Corporate Offices

Marcor Inc.
619 West Chicago Ave.
Chicago, Ill. 60607
Tel. (312) 467-8800
Edgemart Bldg., 4 Denny Road
Wilmington, Del. 19809
Tel. (302) 762-5256

Montgomery Ward & Co., Incorporated
619 West Chicago Ave.
Chicago, Ill. 60607
Tel. (312) 467-2000

Container Corporation of America
One First National Plaza
Chicago, Ill. 60670
Tel. (312) 786-5500

Form 10-K annual report

A copy of the form 10-K annual report filed with the Securities and Exchange Commission will be furnished on request to the Secretary of Marcor Inc., 619 W. Chicago Ave., Chicago, Ill. 60607.